

JPRS-UIA-90-003  
21 FEBRUARY 1990



FOREIGN  
BROADCAST  
INFORMATION  
SERVICE

# ***JPRS Report***

## **Soviet Union**

---

***International Affairs***

# Soviet Union International Affairs

JPRS-UIA-90-003

## CONTENTS

21 FEBRUARY 1990

### WORLDWIDE TOPICS

- Petrovsky Advocates 'Comprehensive International Security'  
*[V. Petrovsky; INTERNATIONAL AFFAIRS No 11, Nov 89]* ..... 1

### GENERAL ECONOMIC AFFAIRS

- S.A. Sitaryan on Opening Soviet Economy  
*[S.A. Sitaryan; PRAVITELSTVENNYY VESTNIK No 1, Jan 90]* ..... 8
- Need for Competent Foreign Trade Specialists Stressed  
*[A. Linnik; EKONOMIKA I ZHIZN No 2, Jan 90]* ..... 8
- Current Economic Mechanisms Insufficient for Integration Into World Economy  
*[M. Maksimova; EKONOMIKA I ZHIZN No 1, Jan 90]* ..... 11
- Accuracy of Statistics on Foreign Trade Effectiveness Questioned  
*[A. Gorshkov; EKONOMICHESKAYA GAZETA No 52, Dec 89]* ..... 13
- Need To Protect Soviet Interests in Joint Ventures Seen  
*[I. Fedorov; SOVETSKAYA ROSSIYA, 27 Dec 89]* ..... 14
- Impediments to Formation of Joint Ventures Examined  
*[V. Anisimov; NEDELYA No 50, 11-17 Dec 89]* ..... 15
- Legal Controls on Joint Ventures Explained *[Ye. Anikina; KHOZYAYSTVO I PRAVO No 11, Nov 89]* ..... 19
- Export of Natural Resources Criticized *[V. Katasonov; NASH SOVREMENNIK No 11, Nov 89]* ..... 22

### UNITED STATES, CANADA

- U.S., Soviets Seen as 'Natural Partners' in 1990's *[A. Kortunov; NOVOYE VREMYA No 1, 1 Jan 90]* ... 27

### WEST EUROPE

- U.S.-Soviet Joint Venture Reports Profits *[V. Belikov; IZVESTIYA, 23 Jan 90]* ..... 29
- L. A. Voronin Interviewed on Soviet-French Business Ties  
*[L. A. Voronin; PRAVITELSTVENNYY VESTNIK No 26, Dec 89]* ..... 29
- Georgian Foreign Minister on Talks With France *[G. Dzhavakhishvili; KOMUNISTI, 19 Dec 89]* ..... 31
- 'Common European Home' Policy Deemed 'Inadequate'  
*[A. Kortunov; NEW TIMES No 51, 19-25 Dec 89]* ..... 32
- Turkey Said to Seek Rebirth of Ottoman Empire *[D. Vandov; KOMMUNIST, 17 Dec 89]* ..... 33
- Swedish 'Secret Police Service' Profiled *[N. Vukolov; ECHO PLANETY No 50, 9-15 Dec 89]* ..... 35

### EAST EUROPE

- Former GDR Intelligence Chief Explains Resignation  
*[M. Wolf; MOSCOW NEWS No 2, 21-28 Jan 90]* ..... 40
- OGONEK Editor Korotich Interviews Poland's Mazowiecki  
*[T. Mazowiecki; OGONEK No 49, 2-9 Dec 89]* ..... 41
- MSZP Seeks 'Democratic Socialism,' 'Market Economy'  
*[S. Zsorczik; PROBLEMY MIRA I SOTSIALIZMA No 12, Dec 89]* ..... 43

### LATIN AMERICA

- Cuban Revolutionary Mario Estable Interviewed *[M. Estable; SOVETSKAYA KULTURA, 30 Dec 89]* ... 48
- Golts Critique of U.S. Intervention in Panama *[A. Golts; KRASNAYA ZVEZDA, 24 Dec 89]* ..... 49
- Reader Asks About Cuban Troop Deployments *[A. Sharyy; PRAVDA, 24 Dec 89]* ..... 50

**CHINA, EAST ASIA**

Fear of Political Instability Adds to PRC's Economic Woes /Yu. Savenkov; <i>IZVESTIYA</i> , 4 Jan 90/ .....	51
Consumer Goods Trade with China, Japan /O. Yu. Goncharenko; <i>SOVETSKAYA TORGOVLYA</i> , 19 Dec 89/ .....	53

**NEAR EAST & SOUTH ASIA**

India's 40 Years of Independence Reviewed /M. Salganik; <i>LITERATURNAYA GAZETA</i> No 4, 24 Jan 90/ .....	55
Israel's Peres' Policies 'Preferable' Due to Compromise Stance /O. Kvyatkovskiy; <i>KOMSOMOLSKAYA PRAVDA</i> , 9 Dec 89/ .....	55
Problems, Prospects for PLO's Recognition Examined /N. Amr; <i>TRUD</i> , 7 Dec 89/ .....	58
FLN Emergency Congress in Algiers Routes New Course /S. Filatov; <i>PRAVDA</i> , 4 Dec 89/ .....	60

**Petrovsky Advocates 'Comprehensive International Security'**

18120036 Moscow INTERNATIONAL AFFAIRS  
in English No 11, Nov 89 pp 3-13

[Article by Vladimir Petrovsky, D. Sc. (Hist), Deputy Minister of Foreign Affairs of the USSR: "A Dialogue of Comprehensive Security"]

[Text] Three years ago, the Soviet Union proposed in common with other socialist countries a dialogue on comprehensive international security. Looking back, we have every reason to affirm that qualitative changes are coming about in the development of this initiative and the tenor of the world community's discussion of it.

This is largely due to the impact of processes of renewal unfolding in every area of international relations. Confrontation between the two social and economic systems, competition in confrontational controversy, is giving way to appreciation of the need to work together on evolving approaches to common problems. Cooperation as a sporadic phenomenon is rising to the qualitatively higher level of co-creation and co-development. This objectively meets the exigencies of the peaceful period now opening in international relations and marked by a positive rather than a negative interconnection.

These developments largely stimulate a lasting interest in the idea of comprehensive international security. Nor is this surprising since the dialogue on all-embracing security is essentially a frank exchange of views on how to put the ideas of new political thinking into practice, how to build international intercourse on the principle of giving priority to universal values, how to search in collaboration with other members of the international community for an overall strategy of guaranteed survival. The task of preserving and advancing civilisation connotes establishing a durable security system and organising international relations on just, reasonable and rational principles, on the basis of a balance of the interests of all countries.

All this also presupposes a critical reappraisal of past experience and the provision of conditions precluding a recurrence of mistakes made earlier.

The parties to the ongoing dialogue combine a political philosophy with realistic politics, building confidence and gaining experience in international cooperation.

The idea of comprehensive security is a logical result of the objective course of world development. In the early 1980s, international relations reached a turning point. On one hand, trends towards an objectively integral world, towards closer interconnections and intertwinnings in it, towards an intercrossing of economic, environmental and socio-humanitarian interests, won obvious dominance. On the other hand, a confrontational differentiation along ideological, political and other subjective lines persisted. The arms race entered a critical phase, threatening to take on new dimensions, in particular by

spreading to space. Without overcoming this contradiction, the world risked finding itself on the brink of a deep and explosive crisis. Determined action was needed to remove the dangers threatening the globe.

The search for safe paths for the advancement of civilisation has been going on ever since humanity began to cognise itself. But the nuclear and space era lent it a special meaning. Vivid, uncommon ideas were advanced by many progressive politicians, scientists and public figures in various countries. At the turn of this century, Vladimir Vernadsky, the Russian scientist, warned not only against conflict between countries but against war between humanity and nature as he put forward his theory of the noosphere. Major contributions to the formation of the ideas of new political thinking were made by Frederic Joliot-Curie, Bertrand Russell and Albert Einstein. The Russell-Einstein manifesto appealed to humanity to realise that having mastered the energy of the atom, man must reshape his thinking if he wanted to spare civilisation irreparable disaster. The concept of global development advanced by the Club of Rome and the activity and recommendations of the Palme, Brandt and Brundtland commissions and many other entities made an important contribution to these quests.

It was with the advent of perestroika in the Soviet Union that new political thinking moved as a harmonious system of views from the sphere of theoretical research to that of government policy. The conceptualisation of the idea of a comprehensive international security system by the 27th CPSU Congress amounted to an about-turn by a world power towards the community of nations, to its discarding outdated notions and patterns and the habit of using only black or white in painting the world. The proposal made by the congress was aimed at deciding on a starting point for a sustained international dialogue on a bilateral and multilateral basis, at seeking durable security not through rivalry in strength but through talks, through simultaneous, parallel efforts on all lines: military political, economic, ecological, humanitarian. This approach is in keeping with the tasks flowing from the need to harmonise international relations, strengthen the solidarity of parties to international intercourse and ensure steady world progress. The latter does not rule out social or other changes based on diversity in paths of development and freedom of choice in a new period of history when these concepts are becoming imperative and when the alternation of spells of confrontation and thaw must give way to a lasting trend towards cooperation in every sphere of mutual relations.

We feel certain that by abandoning the philosophy of enmity and confrontation, the world will become more balanced and gain in maturity and wisdom. There is no more countenancing any manifestations of national egocentrism, imperial politics, obsession in any form. What meets everyone's interests today is ideas and projects intended to consolidate the international community and conducive to its survival and progress.

In 1986, the Budapest meeting of the Warsaw Treaty Countries' Political Consultative Committee approved a concept of comprehensive security. It synthesised advanced ideas and proposals, all the new that had emerged in socio-political thought since the onset of the nuclear and space era, and translated it into practical policy.

The evolution of the concept of comprehensive security entered an important stage when, on September 17, 1987, Mikhail Gorbachev published his article "Reality and Guarantees for a Secure World." The article reflected the Soviet Union's approach to major problems and its estimation of the development and potentialities of multilateral cooperation mechanisms, primarily those of the UN. In December 1988, Mikhail Gorbachev concretised and carried forward in his UN address the concept and views set out in his article. His speech showed that coupling a new political philosophy with a programme of action offers unique opportunities not only a theoretic basis for processes of renewal but to energetically them and bring about real changes.

It was only natural that the UN became the first forum in which the democratic dialogue on comprehensive international security unfolded. An organisation founded by countries that had gone through the horrors of war and aspired to provide conditions for steady and secure development precluding the very possibility of any use of force, the UN embodies the triumph of reason and demonstrates the feasibility of mutually beneficial cooperation. Its Charter as the end result of an arduous process of international co-creation reflects—occasionally in compromise formulations—concepts of universal values, of the mechanisms of regulating the diverse interests in which the world abounds while keeping their plurality intact, of the historical experience gained by humanity at high cost.

However, atomic diplomacy as an outgrowth of the cold war plus an increasing ideologisation of state-to-state relations, both of which became political instruments of former allies, prevented the UN from getting down to real business. They gave its activity a declarative slant, often making it pass resolutions divorced from reality, and substituted vote-hunting for efforts to achieve consensus. The organisation was reduced for many long years to an arena of propaganda and exercises in political intolerance contrary to its essence and predestination.

This is not to say that there were no achievements to give the UN credit for. The organisation greatly accelerated the decolonisation process. It accomplished a major task by codifying international law. And it was under UN auspices that a series of important multilateral treaties were drafted to curb the arms race and cut off some of its channels. Significantly, the Organisation was particularly active in the brief periods of political thaw. But the overall record of the cold war years was markedly negative. Instead of operating as a centre coordinating international efforts according to its Charter, the UN became rather a sort of podium for the prosecution in a

system of states assigning law merely an auxiliary, technical role in comparison with policies pursued from positions of strength. Small wonder that UN members came to suffer from a syndrome of automatic rejection of any idea advanced by the other side or its allies, a syndrome whose impact was brought to bear by voting procedure. This explains why the peacemaking potential of the UN found itself blocked and why reasonable decisions were only made on a bilateral or regional basis and in virtual isolation from the UN. As a consequence, a period set in when the organisation's prestige declined, its numerous attempts to act bearing little fruit. This also accounted for the widespread criticism levelled at the UN in recent years over its allegedly congenital, incurable fallacies.

Successes in international relations, especially on the Soviet-US axis, helped create an atmosphere of cooperation which made it possible to *"revive" the UN and restore its original predestination.* The UN is going through processes of renewal that cover practically all its activities and structures and are a product of the organisation's very history.

It is safe enough to say that for the first time since 1945, or since the adoption of the UN Charter, the organisation is again operating in external conditions comparable to those that its founding members proceeded from. Under these conditions, the trend towards dialogue and a negotiated solution of problems, that is, a multilateral approach plus law and order must win the upper hand over an approach based on military power and reliance on unilateral action. Having joined vigorously in worldwide processes of renewal, the UN is becoming a powerful catalyst of them.

It is important to note how the proposal for comprehensive security was modified from one General Assembly session to another. The Soviet Union and other socialist countries upholding the proposal did not resort to the confrontational model as so often in the past but showed flexibility. We can say that we ourselves learnt as we went, revising our own approaches. The dialogue on comprehensive security became a real school of co-creation and confidence.

We understandably encountered difficulties. This was largely because of our initiatives being treated according to old concepts. Diplomacy in the period of stagnation made the other side grow used to the circumstance that high-sounding slogans and initiatives soon forgotten even by those who had put them forward were a cover for reluctance to seek real results. A case in point was our initiative concerning "Historical Responsibility of States for the Preservation of Nature for Present and Future Generations." This was welcomed at the UN but forgotten in our country. Those were initiatives calculated in the main to set off propaganda fireworks and arouse definite political sentiments. With this approach to initiatives, we could expect no fruitful dialogue likely to produce real foreign political results.

As regards the present proposal for a comprehensive approach to security, it differs fundamentally from earlier ones. A result of new political thinking, it is aimed at ending confrontation and initiating a common search and common action.

It was not easy to get the dialogue on a comprehensive international security system off the ground. After all, the new initiative was also new in quality while many other countries responded in the old way, for the habit of automatically rejecting what came from the other side was still there. Our partners did not realise immediately that this time our initiative served no propaganda purpose but was intended to scrap the confrontation model of discussing security issues and encourage a serious, constructive effort to reach mutual understanding. What played a notable part was also the fact that originally we submitted the idea of comprehensive international security to the UN in virtually the same terms as it was advanced at the 27th CPSU Congress. Yet far from all our partners on the international scene—in the West and among developing countries—are willing to support at the UN resolutions reproducing the wording of our party documents.

A new kind of discussion is on. The 42nd Session of the UN General Assembly voted for a resolution reflecting the main aspects of the idea of comprehensive security brought out by then as the result of an intense exchange of opinion between countries. In analysing now the debate on the matter at the session, we have reason to say that the co-authors anticipated in a sense a development to come, for the idea of security did not yet dominate the political thinking of UN members to an adequate degree. The vote was not unanimous but, even so, the resolution constituted a necessary stage in the international community's collective reappraisal of contemporary realities and lent the dialogue a substantive character. The important thing was that in spite of differing views and approaches, nations were plainly at one in seeking to strengthen the UN and raise its efficiency, as the UN Secretary-General stressed afterwards in a report.<sup>1</sup>

The arguments given by those who did not immediately accept the idea of a comprehensive approach to security included the allegation that in emphasising the connection between the military and non-military aspects of security, the socialist countries implied that progress in any sphere should be conditional on the state of affairs in other spheres. This claim is wrong. A comprehensive approach has nothing to do with a rigid package on the principle of "all or nothing." To point out the interrelation of security factors does not mean linking them to each other but putting it on record that the greater the changes occurring in a particular sector of building security, the greater the prospects opening up in other sectors and hence the possibility of advancing in all areas, concentrating on those in which the world community finds this necessary on the basis of consensus.

At the 43rd Session of the UN General Assembly the co-authors, considering that the dialogue on comprehensive security should be directed towards searching for

consensual solutions and taking an open-minded approach to the ideas and suggestions of all those concerned, altered some sections of their draft resolution. Specifically, they changed the phrase "comprehensive security system," which drew objections from many countries, to a "comprehensive approach to strengthening international peace and security in accordance with the UN Charter." The draft stressed that the task was to search for "universally acceptable ways and means of coordinating practical measures to strengthen on a comprehensive basis the security system defined in the UN Charter." The flexibility and receptiveness shown by the co-authors in regard to ideas coming from other groups of countries met with wide approval.

The resolution, which gave expression to the idea of the interdependence of international peace and security, won the votes of the overwhelming majority of developing countries and many Western countries, including some members of the European Community. The only voices against were cast by the United States, Japan and Israel. The main reason given by the United States for its stance was the definition "comprehensive" although that country was the first to put forward the concept of the interdependence of the various components of security. Actually the US delegate must have been prompted by that persistent general stereotype, reflex rejection of anything coming from the other side. But even the countries which voted against the resolution expressed their readiness to discuss in UN agencies having a relevant mandate specific proposals made within the framework of the socialist countries' joint initiative. And while it is only fair to add that quite a few countries abstained on this issue at the session, the trend towards ending negativism is patent nonetheless.

The idea of a comprehensive approach to international security is not a strictly limited set of formulas. It goes without saying that no country can or should "reserve all rights" or insist on definite formulations. After all, given the plurality of socio-political development, any attempt to make an absolute of a universal pattern is seen as as bid for messianism. The Soviet Union is not trying to prevail on the UN to evolve, let alone approve, a universal concept of security "on Soviet terms."

The task is to promote a painstaking search for common ground, expand areas of agreement and build up cooperation in solving common problems. The idea of comprehensive international security is an invitation to such a search.

This casts a different light on the role of resolution on comprehensive security, which has been debated in the UN for three years now. *Passing this resolution is not an end in itself, and the attitude to it must therefore not be identified with readiness for real cooperation. The purpose is to help carry the dialogue deeper, concretise cooperation and encourage concerted efforts.* The need for such a resolution may disappear altogether at some stage in the evolution of the dialogue.

The question may be asked whether it is really necessary to work so hard on evolving something of a *foreign policy methodology* and then of streamlining it with due regard to the many different views existing in the world or emerging continuously. Wouldn't it be preferable to take action at once as recommended by foreign advocates of "creeping pragmatism"? Experience has shown that fairly often the lack of conceptual mutual understanding and the existence of a contrast between even speculative evaluation of a given phenomenon result, due to a spontaneous, occasionally emotional response, in moves escalating international tensions. Descartes said that one should desist from searching for any truth rather than doing so without any method.

Having become a source of new ideas, the dialogue on comprehensive security has in three years gone beyond the socialist community countries' wide-ranging initiative to become a cause of the whole international community. Its usefulness is unquestionable.

First of all, the initiative conveyed the substance and meaning of new political thinking of the socialist countries' new approach to the UN. Its progress demonstrated the potentialities of new thinking, its inherent dynamism, flexibility and receptiveness to a changing world.

Second, a new kind of dialogue struck root at the UN, a collective and constructive dialogue in search of solutions. The atmosphere of confrontation and mutual recriminations is becoming a thing of the past. These concomitants of the old are being superseded by greater flexibility, by a willingness to listen to the other side and take its arguments into account in specifying one's position. Hence the fact that the 43rd Session of the General Assembly had to do with more resolutions comprising several drafts prepared by different authors. In other words, the very handling of international affairs is acquiring a new quality.

Third, nations have come to appreciate the need for a truly comprehensive approach to international security. Security, while closely linked with the situation in the military-political sphere, is increasingly influenced by non-military factors, such as the creation of a healthy environment, economic stability, guaranteed human rights, freedom of information. The intimate connection between national and international security is coming out more and more clearly, showing that a country's security can be reliably safeguarded only as part of global security, in a situation where less security for any country is contrary to the interests of other countries, for it results in destabilising the overall situation. It is becoming obvious that given the interdependence of the world, progress in any society cut off from the world process by artificial barriers, such as ideological fences, is in fact impossible.

Fourth, the UN set out for the first time ever to discuss security problems as a complex, which is particularly necessary in an interdependent and integral world. It is

indicative that an exchange of views on ways of ensuring the security of the world as a whole has been going on in precisely the First Committee of the General Assembly as a body empowered to examine every aspect of the problem of security. This exchange offers a unique opportunity to make a general and constructive appraisal of the situation in the area of global security, gain a deeper understanding of each other's concepts and preoccupations, respond adequately to them and chart common routes for advance in every field and at every level of international cooperation: global, regional and bilateral. The First Committee also drafts proposals for directly reinforcing the main and auxiliary agencies of the UN. Besides, it helps bring out specific themes to other UN agencies that can be passed on for further discussion in practical terms.

Fifth, the international community specified the main lines of its efforts within the UN towards building comprehensive security in the period ahead. We now have, in effect, a common awareness of the need to concentrate on definite sectors in intensifying multilateral cooperation.

This implies primarily increasing the efficiency of the UN and enhancing its prestige and influence in world affairs; ensuring the primacy of international law in relations between states; making greater use of the institution of military observers of the UN and the organisation's peacekeeping forces. At the 43rd Session the Soviet Union specified its position on these matters by submitting proposals set out in its delegation's memorandum addressed to the UN Secretary-General.<sup>2</sup> The proposals are aimed at encouraging a collective search for ways and means of heightening the efficiency of the organisation through full, non-selective application of the provisions of its Charter, by actively using its mechanisms and procedures and building up its capacity for effective steps to avert international crises and conflicts. Furthermore, the UN now has real prospects also for concentrating on preventive diplomacy to keep differences from degenerating into conflicts.

All members of the UN ought probably to draw on this experience in participating in the subsequent effort of the organisation in general and the First Committee of its General Assembly in particular.

The dialogue is now continuing along two interconnected lines, as it were. One of these is efforts to deepen the ideas of comprehensive security equal for all at the conceptual level. The other line, which is becoming decisive, is a direct collective search for solutions to concrete, palpable problems in all sectors and at every level of international cooperation.

The Treaty Between the USSR and the USA on the Elimination of Intermediate-Range and Shorter-Range Missiles was a real breakthrough in the military political

sphere. Its significance for 20th- and 21st-century diplomacy lies in its being the first agreement to confirm the indivisibility of world security by providing for the abolition of two classes of nuclear weapons.

A new security model can and should be built by destroying and not building up armaments. A big step in this direction would be taken by signing an agreement on a 50 per cent cut in Soviet and American strategic offensive weapons on mutually agreed terms. Reducing military capabilities to the level of reasonable sufficiency would lend a new quality to the issue of parity and the role of nuclear deterrence in guaranteeing strategic stability. Parity may be said to have become a starting point for advancing to a gradual elimination of nuclear weapons. By contrast, attempts to raise parity to a higher level are becoming increasingly dangerous and are plainly fraught with the threat of the arms race getting out of hand. The process of real nuclear disarmament tends undeniably to erode the conceptual basis of nuclear deterrence. What it is now necessary to think about is not how to deter a possible enemy by means of nuclear arms but how to curb nuclear arms themselves.

The economic line of security is emerging as highly important along with the military political one. There is a growing awareness that the influence and place of a country in the community of nations will be determined more and more by the country's economic and technological level, the extent of its involvement in the world economy and its ability to use the advantages of a developed system of international division of labour. It is these factors and not military power that will be decisive at the turn of the 21st century. Every country has a stake in managing its affairs in a way precluding a strain on international economic ties, to say nothing of their rupture, and ensuring their expansion.

The task of preventing a war by man against nature, is comparable in importance to the need to stave off war between humans. Featured prominently in the sphere of ecology are the increasing interdependence of countries as well as the close interconnection of all spheres of international relations. The problem of environmental pollution is going from bad to worse due to an overburdening of natural systems by scientific and technological revolution and often by mindless, wasteful use of anything but unlimited resources of the planet. The continuing arms race is one of the most dangerous causes of the deteriorating natural balance. It is universally recognised that a nuclear conflict would fatally result in a total environmental disaster. Coming out more and more is the urgency of nature conservation measures at planetary level to prevent humanity from suffering irreplaceable material and moral losses and help it avoid new destabilising factors in the evolution of the international situation.

Nations are awakening to the need to rid the area of humanitarian cooperation and human rights of confrontation to begin with. The democratic community has

common goals in this respect, those stated in the Universal Declaration of Human Rights and International Covenants on Human Rights. Raising internal practices to the level of recognised international standards is a task facing all countries. Efforts are gaining strength in such a delicate sphere as information.

The dialogue on a comprehensive approach to international security fits in with the existing pattern of UN activity. Components of this idea are discussed by agencies concerned with specific problems. Disarmament problems, for instance, are discussed in the First Committee, economic subjects in the Second, social and humanitarian ones in the Third, legal problems in the Sixth and other key committees of the General Assembly.

The dialogue has brought out certain connecting links of a comprehensive approach to security. They consist in demilitarising the thinking and behaviour of countries, democratising and humanising international relations and deideologising relations between states.

To move to the standpoint of political approach, of using negotiating mechanisms and recognising the primacy of law, it is necessary to renounce militarist recipes and demilitarise thinking generally.

Whereas politics in the last century were compared to the theatre by using such terms as "stage," "curtain," and so on, 20th-century politics are characterised by the use of terms borrowed from the military vocabulary, such as "offensive," "front," or "breakthrough." At present, however, there is a pressing need made very clear by perestroika for new concepts reflecting trends towards interconnection and interdependence, co-creation and co-development, universal creative values.

To democratise international relations is to abolish exclusive clubs and hence the nuclear club and enable every country to join in decision-making. This task is closely connected with that of humanising international relations since the human dimension is acquiring special significance as a goal and a means of bringing about a secure world. A nuclear-free, nonviolent world is also a just world. New thinking maintains that man deserves a better lot than to be held hostage by nuclear arms. The direction in which international relations evolve and the manner in which problems arising in the process are solved will depend more and more on man's attitude to life and political stance.

There is another important point, one related to this. It is the increased value of the moral and ethical factor in political decision-making. "All that is a moral evil is also an evil in politics." This idea, expressed by Jean Jacques Rousseau over 200 years ago, is particularly relevant now that the very existence of human civilisation hangs in the balance. One of the political functions of the human factor is to reinforce the moral principle, to introduce into the international sphere common sense, whose shortage is sometimes so acute in state-to-state relations.

Clearing ideological roadblocks is a prerequisite for cooperation on new principles. The primacy of law, respect for the dignity of the individual and progress throughout society are unthinkable without deideologising state-to-state relations, without every country renouncing any claim to knowing the "absolute truth." This certainly does not mean renouncing one's views and convictions. The fundamental right of nations to choose their path of development is beyond dispute. Equally inalienable are man's rights and freedoms written into universally recognised international documents, such as freedom of religion and opinion. The point is that conflicting ideological views must not be allowed to become an international battlefield.

Nor does deideologisation of state-to-state relations imply that world politics should be reduced to primitive pragmatism. Humanity has attained a degree of maturity making it possible and necessary to base these relations on universal moral and ethical principles. Applying the latter should not, however, consist in lecturing other nations on how they should live or in giving oneself the role of supreme judge but in setting an example by experience of one's home and foreign policy.

Deideologisation in the case of multilateral cooperation is not identical to convergence nor implies evolving a universal ideology. It means renouncing an ideological approach to cooperation mechanisms, proceeding in line with the UN Charter, using international organisations in strict accordance with their competence and promoting cooperation based on equality. Such cooperation demands consigning permissiveness to the archives, rising above ideological differences, tolerating dissent, opting firmly for integration and internationalism. The latter should be not only an intensifying process of cooperation but a mentality and growing involvement in all that goes on in the world.

The experience of international relations in recent years has shown that no comprehensive approach to security can be evolved without the UN as a regulator and balance beam of diverse interests. The UN, in turn, needs a concept of comprehensive approach to security providing guidelines for the organisation to adapt to the big changes taking place in world politics. Discussion has confirmed that currently countries associate the formation of a comprehensive approach primarily with a stronger UN, with an increase in its role and efficiency, with emphasis on multilateral approaches.

Of course, putting the accent on multilateral cooperation between countries does not mean underestimating bilateral cooperation. A multilateral mechanism and bilateral contacts should harmoniously combine to contribute to each other.

A very promising prospect is that of extending the traditional agenda of the Soviet-US dialogue by placing on it global, "transnational" problems and questions relating to the UN. To carry the Soviet-American dialogue deeper is all the more important because without

the Soviet Union or the United States, let alone against them, the UN can hardly be expected to really join in international affairs or function more efficiently. Discussion of these matters by the two major world powers would undoubtedly help bring other countries belonging to various regional groups into a broad democratic debate on key problems.

The recent extensive Soviet-American consultations on these subjects marked a considerable change in the nature of the dialogue on problems of multilateral diplomacy in favour of practical cooperation between the two powers, of filling the "fifth basket" with real deeds. The two sides decided not merely to carry further the exchange of views on these issues but to extend discussions to the problem of raising the efficiency of the UN system in order to optimise its functioning. Currently it is particularly important to take a comprehensive approach to this international organisation on the basis of deideologising its activity and depoliticising its specialised agencies.

In this changing situation the main echelons of the UN, primarily the Security Council, are becoming a panel for an interdependent world regulating the intricate processes taking place in its every sphere. Special importance attaches today to contacts between permanent members of the Security Council, for they offer real opportunities to coordinate measures aimed at strengthening the organisation, making judicious and thrifty use of its resources and increasing its peace-making potential. A major contribution in this sense could be made by acting on the proposal for a Security Council meeting at the level of foreign ministers during, say, the 44th or 45th Session of the General Assembly.

The role of the UN Secretary-General is growing. So is the importance of making proper use of his powers as well as of member countries supporting him in their exercise.

There are ample opportunities for the UN General Assembly to increase its contribution. Compromise and a balance of interests find expression in consensual resolutions passed by the assembly. It is important to ensure that consensus at the stage of adopting a resolution is backed by consensus at the stage of implementation. This approach will help make the assembly, now a forum for exchanging views, an authoritative, efficient mechanism of coordinating the will of nations.

The role of the International Court appears in a new light today. Recognition of the primacy of law and the task of establishing a community of law-governed states require respect for and unfailing execution of the decisions of this body and reasonable self-limitation by states according to international legal standards. Mikhail Gorbachev said in his UN address that the jurisdiction of the International Court in regard to interpreting and applying agreements on human rights should be binding on all countries.<sup>3</sup>

The Special Committee on Peace-keeping Operations, or the Committee of 34, a UN agency which for a long time was idle, is rousing to action. In 1989, it met for the first time in seven years. China has now joined in its activity, and this is very important. The committee now represents all the permanent members of the Security Council, which in itself will make its work more fruitful.

In the context of raising the efficiency of the UN, the activity of the Special Committee on the Charter of the United Nations and on the Strengthening of the Role of the Organisation, which has lately produced substantial results, is of special importance. Joint efforts by the countries on the Committee have made it possible, for instance, to agree so important and complex a document as the Declaration on the Prevention and Removal of Disputes and Situations Which May Threaten International Peace and Security and on the Role of the UN in This Sphere. The declaration was approved consensually at the 43rd Session of the General Assembly.

The dialogue on a comprehensive approach to security started at the UN but went beyond the framework of the organisation. Discussion between governments developed into a debate on security problems, into their analysis, study and discussion in parliaments, academic quarters and social circles. Thus the dialogue on comprehensive security became an important part of the search for a universal consensus in advancing to a new world order. The search will not be easy because it is taking place in a complicated world. But it is only by going through the school of confidence, into which the dialogue is bringing all countries and backing policies by concrete actions that humanity can ensure the advent of a peaceful period in the progress of civilisation.

#### Footnotes

1. UN Doc. A/43/732, 20 Oct 1988.
2. UN Doc. A/43/629, 22 Sep 1988.
3. PRAVDA, 8 Dec 1988.

**S.A. Sitaryan on Opening Soviet Economy**

90U10311A Moscow *PRAVITELSTVENNYY VESTNIK*  
in Russian No 1, Jan 90 p 6

[Article by S.A. Sitaryan, deputy chairman of USSR Council of Ministers and chairman of State Foreign Economic Commission of USSR Council of Ministers: "The Goal Is an Open Economy"]

[Text] I have to say how pleased I am that an extraordinary number of speeches at the congress dealt with our economic cooperation with foreign countries. After all, this means, above all, that the process begun 3 years ago—the democratization of foreign economic operations—is growing stronger and that various forms of contact with overseas partners are becoming a truly important element of the economic operations of enterprises, branches, and regions. In fact, there are already over 11,000 officially registered participants in foreign economic operations. This is an excellent prerequisite for an open Soviet economy.

An analysis of the proposals of USSR people's deputies clearly indicates that we are still not making the fullest possible use of, for example, opportunities for the development of exports. This applies above all to services—the products of intellectual activity (the results of research and design projects, licenses, expertise, etc.)—and the sphere of international tourism. It is also completely obvious that branches of the defense industry, part of the potential of which will be made available by the conversion process, should be more actively involved in the augmentation and diversification of exports. If we succeed in mobilizing all of this potential, we will be able to change the structure of exports more quickly and increase their contribution to national income, which is negligible today—only 6 percent.

I would also like to point out the fact that the familiar parasitical refrain was regrettably present in some of the speeches by congress delegates. There were various requests for foreign currency from the government, for instance, with no regard whatsoever for the problematic hard-currency status of the country: The foreign debt is still growing.

In principle, of course, a foreign debt is a completely normal part of international affairs. It is no secret that machines and equipment are purchased on credit in the world market, but the debt ceases to be a natural attribute of foreign trade when its size approaches the point of "critical mass." At this point, it seems to become self-regenerating and self-augmenting and is difficult to regulate, and the country then begins working exclusively to service the debt and essentially loses the chance to use foreign currency to pay for imports.

We are on the threshold of this situation. For this reason, we simply must spend this currency as wisely as possible and not buy anything we could produce ourselves if we

were more enterprising and responsible: foods, consumer goods, and medicine. Last year, for example, half of the medications for sale to the public came from abroad.

The results of the congress will certainly affect the present work and future plans of the State Foreign Economic Commission. We will have to reorder our priorities to some extent, review the sequence of projects and their degree of importance, and concentrate more on strategic matters.

The following are some of the immediate objectives for our fuller participation in international division of labor: a legislative foundation, conforming to world standards, for the encouragement of all forms of foreign economic cooperation, including the attraction of foreign capital, advanced technology, and managerial experience; legal support for the regulation of currency and credit operations.

The most important longer-range objective is probably the more difficult problem of securing the transition to ruble convertibility. The mere issuance of a decree would be senseless in this case: The immediate institution of even partial convertibility could have grave consequences, especially inflation and a lower standard of living for the population. There is good reason that it took most of the developed Western countries 10-14 years to reach this goal. The fact is that there are certain economic prerequisites—a developed domestic market, flexible pricing practices, a "firm" ruble, competitive exports, and a positive balance of payments.

We still have to establish all of this during the course of radical economic reform. According to an accurate observation made at the congress, however, this will require a precise and thorough program of advancement toward convertibility, and I think it could be drafted and submitted for government approval within 2 or 3 months at the most. A realistic ruble exchange rate is to be instituted in 1991. Specialists are already calculating various alternatives.

**Need for Competent Foreign Trade Specialists Stressed**

90U102884 Moscow *EKONOMIKA I ZHIZN*  
in Russian No 2, Jan 90 p 20

[Article by A. Linnik: "Business Does Not Tolerate Dilettantism"]

[Text] The national economy's tremendous need for literate cadres specializing in foreign economics is more obvious today than it has ever been. That need is increasing literally every day as newer and newer enterprises register as participants in foreign-economic ties.

For a long time many enterprises, thanks to the skillful management of their work, have shown themselves to be respectable partners for foreign businessmen and reliable getters of currency for the Soviet side. But frequently one

becomes aware of a narrow-minded lack of information about what is happening on the other side of the "hump." At times, the naive incompetency and dilettantism can border on the most real crime.

In September-October 1989 the Azimut Soviet-Hungarian SP [Joint Venture] delivered to Austria 30,000 tons of diesel fuel at a price of \$114-117 a ton, whereas the prices on the Austrian market were \$140-150. It was precisely these prices at which the Soyuznefteeksport All-Union Association, the traditional supplier of petroleum products to Austria, sold its commodities. It would seem that elementary common sense would have required Azimut to consult with Soyuznefteeksport, so that they think together about how "not to spoil" the Austrian market situation. But the SP managers, full of a self-doubt that was mixed with a lack of any real commercial efficiency, acted independently. This "amateur performance"—if one may use that mild term—resulted, in particular for the Soviet side, in a loss of many thousands of dollars in currency. Moreover, the Austrian companies received a good cause for trading to our disadvantage in future purchases from Soyuznefteeksport.

The Plodoovoshch Association in Kishinev delivered to the Polish Mazowsze Association consignments of cognac, wine, and champagne at a which that was 25 percent lower than the prices of the Soyuzplodoimport All-Union Association. Then, as in the well-known saying, "If you sow an action, you will reap a habit...," in exchange for the amount of money received, the Kishinev association purchased Polish potatoes at a price that was 30 percent higher than the price that is in effect in the Soyuzplodoimport contracts.

We might also recall that the Adazhi APK [agroindustrial complex] in Riga and the Solikamsk Silvinit concluded a barter transaction for shipping to Yugoslavia in 1989 potassium chloride at prices considerably lower than those stipulated for the current year by Soyuzagrokhimeksport contracts on the strength of USSR pledges according to the protocol on commodity turnover...

The "holes" that have been made by our commercial "businessmen" are expanding tremendously and, according to estimates made by experts, are proving to be for us a lost advantage or direct losses amounting to several million dollars. It was precisely to prevent this that stricter state control has already been introduced—the issuance of licenses, the making of declarations, and other regulatory measures. In particular, on 11 December 1989 the USSR Council of Ministers decree entitled "Additional Measures of State Regulation in 1990 of Foreign-Economic Activity" was enacted.

These are very timely measures, but even they do not resolve all the problems. Just as state acceptance by itself alone cannot achieve the total improvement of the quality of the output, it is impossible, even by the strictest control methods, to improve instantaneously

the efficiency of the foreign-economic activity of hundreds and thousands of its new participants.

According to estimates made by specialists, today the national economy's need for managers at all levels of foreign-economic activity—from enterprises to foreign construction sites and trade representations—comes to approximately 50,000 persons. The previous state system of education provided no more than 200-300 specialists a year, which today is just a drop in the bucket. Naturally, during recent years there was a substantial expansion of the base that used to exist and new links have been created for training the appropriate cadres. As our correspondent was told at USSR State Foreign-Economic Commission and Gosobrazovaniye [State Committee for Education], the current state educational system is capable of satisfying the demand for the appropriate cadres within 5-7 years. What kind of system is this?

#### Better Late Than...

The system being created includes the training of cadres with higher education in the country's institutions of higher learning; the providing of instruction to students in the higher educational institutions of foreign countries; the retraining of cadres on the basis of people's existing higher education at departments of higher educational institutions; and refresher training of enterprise managers and specialists at higher commercial schools of the Academy of the National Economy (ANKh) attached to USSR Council of Ministers, the All-Union Academy of Foreign Trade (VAVT), USSR MVES [Moscow Foreign Economic Relations], and also in interbranch and branch IPK [refresher institutes]; and, in addition, foreign-economic specialists are being taught foreign languages.

All these types of instruction are based on contractual interrelationships between the educational institutions and the interested enterprises and organizations.

On the basis of secondary education, cadres in the specialty "International Economic Relations" with the knowledge, as a rule, of two foreign languages, are currently being trained at seven institutions of higher learning: in Moscow, the Finance Institute, Institute of Administration, State Institute of International Relations, Institute of the Countries of Asia and Africa, at MGU [Moscow State University]; the Institute of International Relations and International Law, at Kiev State University, the Kiev Institute of the National Economy, and Leningrad Finance and Economics Institute. Starting with the next school year, training of cadres in this area of specialization will begin at Moscow Commercial Institute and Tashkent Institute of the National Economy.

At economic-engineering departments, the training of cadres in the specialty "Organizing and Planning of Enterprises' Foreign Economic Ties" is being provided at the Leningrad Economic-Engineering Institute and the Moscow Aviation Institute.

**Training of cadres on the basis of higher education is being carried out over a three-year period at All-Union Academy of Foreign Trade (VAVT)**

Specialists with higher education are being retrained at the special departments of a number of higher educational institutions. In the specialty "Organizing and Planning of Foreign-Economic Ties," cadres are being retrained at Leningrad Economic-Engineering Institute and Kharkov Economic-Engineering Institute, and also at Leningrad Finance and Economics Institute. In the area of international settlements and currency and credit operations, this retraining is provided at Moscow Finance Institute. In the specialty "Administration of Foreign-Economic Activity," cadres are being retrained at the Higher School of Administration, at the Moscow Institute of Administration.

Refresher training for managerial workers has been organized at the refresher institute under VAVT, under the Moscow Institute of the National Economy, and at a number of interbranch and branch refresher institutes, including those at USSR Gosnab, Minstankoprom [Ministry of the Machine-Building Industry], Minaaviaprom [Ministry of the Aviation Industry], Higher Economic Courses of USSR Gosplan, and others.

In the USSR Gosobrazovaniye system, refresher training centers are in operation to improve skills in the area of marketing and management—at the Moscow Institute of the National Economy, Leningrad State University, and Leningrad Polytechnical Institute. At MGIMO [Moscow State Institute of International Relations], a center for rendering economic-contract services to branches of the national economy in specialist refresher training and retraining is in operation.

"The system for training foreign-economic specialists in our country needs further development and improvement, and this, properly speaking, is what is currently occurring," Professor I. Ivanov, deputy chairman of GVK (State Foreign-Economic Commission), said in an interview. "It is not only the specialized educational institutions that are in the center of our attention. Starting last year, students attending the economic and economic-engineering departments of institutions of higher learning and universities began for the first time to assimilate the curricula of the general-educational courses 'Principles of Foreign-Economic Ties' and 'International Economic Relations.' On the basis of the economic-engineering institutions of higher learning, we are creating special departments with a one-year or two-year course of instruction, that orient the students toward working in foreign-trade organizations and joint enterprises. Foreign-language instruction is provided in courses at 20 higher educational institutions, and at ministries and departments. USSR Gosobrazovaniye has begun making it a broader practice to send instructors and students on a probationary basis to educational centers and companies, and postgraduates and students to higher educational institutions in foreign countries. All Soviet enterprises have been given the right to send

their employees, at the enterprise's own expense abroad for probationary work—to companies or business schools. For SP, we recommend including in the charters or contracts a stipulation requiring a person to complete a probationary period with a foreign partner in business schools at the expense of the SP."

But all of this is still insufficient both with regard to quality and to quantity. Home-grown organizations that call themselves business schools, management schools, etc., have rushed into the vacuum that has been formed. But these organizations do not have either the instructors or the appropriate educational base at their disposal. This is especially typical of the peripheral parts of the country.

"At the present time we are moving the businessman training system to the Far East, where a branch of VKSh [Higher Commercial School] under VAVT," I. Ivanov says, continuing the discussion. "The next thing will be the creation of such centers in the Urals and Central Asia. The local authorities must display more initiative and must accelerate their 'inclusion' within the next year or two."

It is also important to eliminate as rapidly as possible the shortage of instructor cadres, for example, by expanding the network of centers for training them and even by means of mass elimination of illiteracy. Last year a series of two-week seminars were conducted for instructors at the country's higher educational institutions, refresher-training institutes, and educational centers to provide the latest foreign-economic knowledge. The publication of several dozen new textbooks and special teaching aids in 1990-1995 in a large printing run will help substantially to improve the situation with regard to the lack of literature dealing with foreign-economic topics.

#### Here Too the Emphasis on Quality

"Although the national economy needs thousands of specialists, we cannot engage in a race for the quantity of graduates," Professor V. Burenin, rector of the Higher Commercial School under VAVT, says. "Our school's orientation marker is quality. Quality begins with the strict selection of matriculating students. Out of a thousand applications from managerial workers in our country's foreign-economic complex, we selected only 80 persons for the forthcoming curriculum courses. Student groups are formed irrespective of the level of the position occupied by them or their area of specialization. The testing method that has been developed at the school, according to coordinating professors D. Bekleshov, B. Ryzhanovskiy, and V. Prosvetov, will help to conduct the objective selection of candidates for admission as students at the Higher Commercial School, and, judged on the basis of the results of completion of that school, to give a realistic evaluation of the knowledge that they have received."

But what do the school graduates themselves think about this?

"In the course 'Modern Methods of Organizing the Administration of Foreign-Economic Activity,' we completed an intense, saturated curriculum," says I. Starostin, manager at the Moscow Aviation Institute, and one of the 400 graduates of the Higher Commercial School. "Six times a week, for 11 hours a day, over an eight-week period, we intensively studied the questions of how to organize marketing and how to conduct foreign-trade operations, questions of increasing the competitive capability of our country's output, and commercial vocabulary in foreign languages. We had to acquire efficient work skills in operating computer equipment dealing with information and organization. We worked intensively to master the sciences of commercial negotiations. Business games and the analysis of specific situations helped us to master the complicated ABC's of business."

An analysis of the experience of the foreign centers for manager training attests to the fact that constant improvement of the forms of instruction is needed in the internationalization of this process. The Higher Commercial School under VAVT also is attracting foreign instructors in a number of courses...

However, for the time being, our country's ministries and departments have not defined the long-term needs for training cadres in the specialized area of foreign economics. Many republic-level, kray, and other regional agencies are still passive in this regard.

While this article was being prepared, news arrived that in Great Britain our home-grown businessmen managed to sign a contract concerning the sale of 600,000 cubic meters of Soviet timber at a price than is 40 percent lower than the existing one.

Meanwhile the interests of highly effective business will not wait. Any further delay in this matter contributes not only to foreign-economic ignorance, but also to currency losses.

#### Current Economic Mechanisms Insufficient for Integration Into World Economy

90U10283.4 Moscow EKONOMIKA I ZHIZN in Russian No 1, Jan 90 p 20

[Article by M. Maksimova, doctor of economic sciences, chief scientific associate of the USSR Academy of Sciences World Economy and International Relations Institute: "We and the World Economy"]

[Text] **Perestroika has ceased to be exclusively ours, a purely internal matter. It has outgrown the state boundaries and taken on a truly international measure. The world is hopefully watching the course of the transformations in our country, and primarily in our economy.**

The second Congress of People's Deputies has concluded, having discussed and adopted amidst heated debate the governmental program for revitalization of the country's economy. On the whole this program, undoubtedly, represents an important step forward. It

also contains proposals on the development of foreign economic activity and on the changeover of its regulation from directive methods to economic and legal ones. It cites the need for stepping up non-traditional forms of cooperation. Let us proceed from the very best case, assuming that the government will succeed in realizing that which has been outlined.

But will this make our economy more open, and consequently more perceptive to world scientific-technical achievements and foreign experience? Will Soviet enterprises be capable of competing on the world markets? We must have a firm understanding of what we want. We cannot begin the transition from a closed economy to an economy of the open type without changing, for example, the very principles of price formation, without providing for cardinal measures against excess monopolism, without introducing competitive principles, and without having a specific program of transition to the real exchange rate of the ruble and its convertibility. After all, much still remains unclear in the search for answers to these and other questions. And, we believe, this is no accident.

Up until now, unfortunately, we have not overcome the traditions of the past, according to which foreign economic ties were viewed not as an organic part of the entire Soviet economy, but as something secondary, as an appendage of the economy which most often turns out to be yet another sore point in need of treatment.

And in the governmental program, in my opinion, we have not found sufficient room for disclosure of those measures which would allow us already in the upcoming five-year plan to utilize international ties as an important stimulus to revitalization of the economy and its radical structural reorganization.

I would even venture to say that much of what we are doing today and intend to do in the next 2 years, in essence, leads to a curtailment of the economic ties with the outside world. What should we do about the great need for technical retooling of our outdated production capital, and about the introduction of new and latest technology? Should we do all this by ourselves? Is this realistic?

In extraordinary measures on balancing the consumer market, we have opted for a sharp curtailment (and even prohibition) of the export of many types of production. In doing so, we are not only increasing the desire of a significant portion of the enterprises to earn the currency which they so greatly need, but in essence are also forcing them out of the niches of the foreign market which they had previously won with great difficulty. At the same time, any new limitation of export deprives the enterprise of the main thing—the ability to equalize on the world market the technical level, quality and competitiveness of the manufactured product and its real correspondence to world standards. And this surely leads to technical stagnation.

We still do not want to part with a currency monopoly. We are not speaking here of currency reserves. In our opinion, it is the principles of currency distribution which themselves require re-evaluation. These funds must remain with those who earn them, outside of tax deductions to the center, republic, and local organs of authority. Only in this case will the enterprises have a stimulus to engage in export operations which ensure currency influx.

Under the new conditions, the monopoly of Vneshekonombank [Bank for Foreign Economic Activity] appears as a real anachronism. We need tens of such Soviet banks capable of implementing foreign credit-accounting operations. This would allow us to expand the circle of foreign banking and finance organizations interested in business cooperation with us, and to open new channels for obtaining credit capital.

There is a clear shortage of these both for revitalization of the economy and for structural maneuvering. How can we utilize the foreign sources in this case?

Evidently, we will not be able to count on gratuitous aid from the West, even though in principle we should not exclude such a possibility. The most accessible means, it would seem, would be credit loans on the Western market. However, the country's growing balance of payments deficit demands maximal circumspection. And if we do take credits, then we must spend them wisely.

Today we import on credit large volumes of food products and consumer goods in an attempt to ease the tension on the market. Naturally, we pay high interest for this, and get into debt. But what will we do tomorrow, when we "consume" all of this? Would it not be more rational to spend expensive credit funds on the technical reconstruction of the extremely backward enterprises in our consumer sector? And, if we must take credits (and we evidently will be forced to do so), then we should take them for target, highly effective, rapidly recoverable (in 2-3 years) projects. The participation of Western firms and banks in [these projects] will make it possible to expect significantly more lucrative borrowing conditions than we have today.

In general, we must change much in terms of our credit policy. New possibilities are emerging, associated with the creation of the European Bank for countries of Eastern Europe. The limitations on the activity of the USA export-import bank are being rescinded, as are the limitations on state insurance of credits issued to socialist countries by Western countries. The time has come, evidently, for us to also review our attitude toward the International Currency Fund, participation in which would strengthen the trust of the Western banks toward us.

There is also another effective source of resources—foreign investments. At the present, there are 1,200 joint enterprises in our country with a capital of 2.5 billion rubles (including 1.5 billion dollars). This is very little by international standards.

Today there is practically no country in the world which does not attract foreign investors. Among them, for example, is the USA, whose sum of foreign capital invested in its economy exceeds the amount of its own capital taken abroad. Foreign capital today is a source for obtaining leading technology, current management experience, and additional resources for creating scientific-intensive sectors and modernizing backward industries. At the same time, this is also a radical means of combatting the "brain drain", the loss of a skilled work force. It is also time for us to think about the latter.

Furthermore, in connection with the extensive structural maneuver which we are to implement: The USSR, over significant portions of its expanses, is turning into a frozen construction site. There are thousands of unfinished construction projects of production function alone in the country. How can we prevent this gigantic construction site from turning into a dead cemetery? The solution is to open the door to foreign capital on a really broad and truly mutually beneficial principle, and with consideration for national-economic interests; to give this foreign capital the opportunity of assimilating the unfinished facilities wherever this is expedient, including also re-profiling them.

Yet this can be done only under the condition that it is not the departments which engage in this matter, but the interested enterprises, associations, cooperatives, and republic and local authorities.

We need, it seems, a principally new approach to the application of foreign capital for accelerating scientific-technical progress in the country. There are at least three sectors where we may expect really quick success. These are: The part of the defense sector subject to conversion, production based on de-classified space technology, and sectors of Soviet science which have made great achievements but which do not have an experimental base or experimental production. Here much depends, of course, also on how willingly the West really accepts the review of COCOM lists and other limitations on the export of technology to the USSR.

One of the bottlenecks in the economy is the country's infrastructure (transport, roads, hotels, services, etc.). This is also becoming a serious hindrance to the development of our foreign economic ties. At the same time, large construction capacities are being liberated in the country, the excess work force is growing, yet there is a shortage of equipment, enterprise and initiative. In other words, there are great possibilities here for mutually augmenting interaction of the USSR with the West.

In order to more broadly utilize foreign capital, we need bold decisions and the readiness to opt for forms of cooperation with the West which are not ordinary for us.

In spite of the current stereotype, [one of these forms] may also be concessions. We will recall that in the 20's there were around 150 concessionary agreements between the USSR and Germany, the USA, England, and other

countries in the mining, lumber, and processing industries and in trade. For each invested ruble, the concessions brought in four-fold income.

We also need such forms of integration as the technopolis, scientific pools, joint "risk" firms, commercial banks, and stock companies. The time has come, finally, to remove the artificial barriers which were stubbornly erected in the path of creating free economic zones.

It would be an illusion to believe that foreign capital, and together with it technology, equipment, and management experience, will rush to us at our beck and call. No promises will help here, including those in the form of the unlimited, as yet mythical, Soviet market for the West. Sober-minded, calculating managers will willingly come to us only after they have become convinced of the truly legal character of our state, when everything that is associated with economic management and foreign economic activity will be based on law, and not on rapidly changing resolutions and instructions.

The country is on the threshold of adopting legislative statutes on ownership, land, self-government, etc. Yet as paradoxical as this may seem, we are very slow in moving toward the creation of legal principles of foreign economic activity. It is necessary, in our opinion, for each of the basic law drafts to be "re-read" by the corps of deputies and experts through the prism of our foreign economic interests and international responsibilities. This is true also of future changes in individual articles of our Constitution. It is not yet too late to do this. We need a firm system of laws regulating foreign economic ties. The conditions and mechanism for integration of the Soviet market of financial resources and securities with the world market still await development.

Extensive and complex work lies ahead on the specific realization of the recently signed broad agreement on trade, commercial and economic cooperation of the USSR with the European communities. Evidently, we will soon begin talks on rapprochement with GATT [General Agreement on Tariffs and Trade] and other international organizations.

The success of perestroika is our own cause, the cause of each and every one. Yet we will be able to travel this difficult path more quickly and with much smaller expenditures if our economy and economic management mechanism actually turn to face the world economy.

#### Accuracy of Statistics on Foreign Trade Effectiveness Questioned

90U10289A Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 52, Dec 89 p 8

[Article by A. Gorshkov, candidate of economics: "In the Mirror of Prices"]

[Text] The USSR Ministry of Foreign Economic Relations has published a press release from which it follows that the effectiveness of our foreign economic relations

amounts to 215 percent. (Here and further—for 1988). Consequently, one ruble invested in this sphere of activity turns into 2.15 rubles for the country.

What is more, the absolute figures of the press release confirm the following investment: We exported domestic products valued in the wholesale prices of enterprises at 42.9 billion rubles, and we imported foreign products expressed in our wholesale prices at 92.5 billion rubles. Hence the contribution to the national income is 49.6 billion rubles, or 8.1 percent of the income utilized for accumulation and consumption.

If everything is in such good shape, why are we subjecting our foreign economic relations to such severe criticism and carrying out restructuring here as well? To anyone in the least acquainted with the real state of affairs, it is clear that such data published without clarifying comments can only mislead the uninitiated. Indeed, if we look into this closely, in essence, such information seriously distorts the real picture of the effectiveness of our foreign economic relations.

I do not want to say at all that the Ministry of Foreign Economic Relations is acting carelessly. No, it bases itself on our own country's statistics quite legitimately. And the whole difficulty lies in our official domestic price formation.

The distortion of the true economic result of the effectiveness of the foreign trade turnover is the result of the imperfection of price formation in the USSR. The system of domestic prices operating in our country was formed on the basis and for the service of an economy utilizing extensive factors of production growth and completely separated from the objective laws of the market. The existing prices have long ago ceased to correspond to the socially necessary expenditures of labor and the use value of goods. They are not in the position to fulfill their most important function—to secure in the process of reproduction the relationship between demand and production on the basis of reliable information about the expenditures and effectiveness of the adoption of economic decisions. As a result, the requirements and demand are deformed, which in the final analysis leads to the formation of irrational ratios in the national economy and in the export-import structure of the country.

What is the real effectiveness of Soviet foreign trade turnover? The answer to this question can be obtained if one has a correct, objective estimate of the domestic expenditures for export production. To do this for the entire range of export goods is quite difficult. At the same time, such an estimate can be obtained for individual goods with reliable authenticity. We are talking, above all, about commodities of the fuel group (crude oil, natural gas, petroleum products), whose share of the total value volume of Soviet export amounts to about 40 percent. Having obtained an estimate of the real

domestic expenditures for the production of fuel commodities, we can thus correct the indicator of the effectiveness of Soviet export almost in half its volume.

Let us recall that today two-thirds of the multi-billion capital investments in oil production go only for the maintenance of the attained level of its production, and only 15 percent of these expenditures (according to the standard coefficient of effectiveness of capital investments) are reflected in the wholesale price. Moreover, expenditures for infrastructure and rent payments are not taken into account. But if all domestic expenditures for the production of crude oil are correctly taken into account, the domestic price for it should increase from 30 rubles a ton (effective wholesale prices) to 75-80 rubles. Not accidentally, this level has finally been put into the new price lists of wholesale prices.

The increase of the level of domestic expenditures for oil production by a factor of 2.5 to 2.7 will inevitably lower the indicator of the effectiveness of its export by the same magnitude. That is, the real effectiveness of Soviet export of crude oil amounts today for all groups of countries to 100-115 percent, and in the export to capitalist countries, where the prices are now lower, it does not exceed 70-80 percent. The effectiveness of Soviet export of petroleum products and natural gas is lowered in such a proportion.

But for the time being, the effectiveness of total Soviet export, calculated on the basis of stereotype, amounts to 142 percent, and import—150 percent. . . .

Knowing the value of total Soviet export, the share of the fuel group commodities in it, and the level of the increase of their real domestic price, it is not difficult to correct the value estimate of the total export in terms of domestic prices. The calculations show that the domestic expenditures for increase from 42.9 billion rubles to 78 billion rubles, which at once lowers the indicator of the effectiveness of Soviet export as a whole to approximately 80 percent, that is to one-half. Thus, for 1 ruble of expenditures in the national economy, today not 1.4 rubles are returned, but approximately 80 kopecks. For foreign trade turnover as a whole, the indicator of effectiveness is lowered from 215 to 117 percent.

Well, what is the real contribution of foreign economic relations to the formation of the country's national income? It is not difficult to calculate that the "addition" [privar] from foreign trade turnover, if it is estimated at in terms of real social expenditures for the export production of fuel group commodities, and not in terms of existing wholesale prices, will amount not to 49.6 billion, but to less than 15 billion rubles, which lowers the contribution of foreign economic relations to the national income from 8.1 to 2.4 percent.

And this when up to now we have taken into account the real expenditures for export production only of fuel commodities. And if we transfer the effectiveness of foreign economic relations taking into account the real value of all export goods for society? Does it not turn out

that for a long time already we have been "spending" our national wealth and national income through a non-equivalent barter? And is it not time for the authoritative foreign relations departments themselves to prepare public opinion for a more realistic perception of their sphere of activity in the second stage of the radical economic reform?

### Need To Protect Soviet Interests in Joint Ventures Seen

90U70261A Moscow SOVETSKAYA ROSSIYA in Russian 27 Dec 89 Second Edition p 3

[Article by I. Fedorov, director of "Gefest," a joint Soviet-Danish venture (Moscow): "What the Firm Offers; The Value of the Businessman's Word"]

[Text] New joint ventures—i.e., enterprises with participation by foreign capital and foreign businessmen—are springing up almost daily in our country. They are usually described in complimentary terms, and they deserve this: We are emerging from a state of economic isolation and alienation, and this will certainly benefit all of us and our entire economy. Nevertheless, we should take a look behind the scenes and subject our daily concerns to closer scrutiny.

What do you think attracts many foreign firms to the Soviet Union? Could it be just the possibility of investing capital in a new business? Alas, this is not all. They are also attracted by the cheap labor. Yes, cheap, because our West European and overseas partners often pay our workers much less than they pay their own, even if these are "guest workers"—i.e., not the native population, but the Turks or Arabs who have come to their country to earn some money. The most outrageous thing about this situation is that this is frequently not a secondary or collateral consideration, but the main reason for the conclusion of business agreements. I learned this from personal experience: On two occasions when my partners learned that we wanted equal pay for foreign and Soviet workers, they lost interest in the deal and refused to sign the contract, even though they already knew that our workers are in no way inferior to foreign workers in skill or diligence.

I realize that some circumstances force us to accept contract terms that might be an affront to our national pride. When we are given materials and equipment superior in quality to our own and we have nothing to offer in exchange, it is difficult to be stubborn. Frequently, however, there is a chance to bargain, but the opportunity is missed because people have grown so accustomed to inequitable contracts. This bothers me so much: After all, we should not lose our self-respect. We will never get out of our current difficulties if we keep setting such a low price on our labor.

Many revered concepts seem to have gone out of style and become less popular. Unfortunately, these include such concepts as patriotism and self-esteem. Everyone knows, however, that these are economic considerations

as well as moral concepts. There are many examples of this. Many of our economic administrators stopped caring about their professional reputation long ago. The widespread lack of commitment in our country is no secret to anyone, and it has caused us to lose millions in the foreign market.

It is difficult to find any kind of reasonable explanation for some incidents, and I am utterly at a loss when I have to report them to our overseas colleagues. Let us take a look, for instance, at a document on my desk: On 12 July this year Chairman N.N. Gonchar of the ispolkom of the Baumanskiy Soviet of People's Deputies in the city of Moscow signed it below the signatures of representatives of the Chelek joint venture and Economic Developments Partners, a North American firm. In line with this agreement and with the help of American builders, Chelek was to use its own funds, its own materials, and its own manpower to remodel a group of buildings on Uliitsa imeni Bogdan Khmelnitskiy and turn them into a business center with a hotel, and was also supposed to put up a residential building and turn it over to the rayispolkom for free. Naturally, it would not be doing all of this without benefiting itself: Part of the profit from the use of the renovated buildings would be sent abroad. After receiving a copy of the document, my overseas partners went to work immediately: They established Gefest as a construction design branch of Chelek, they collected large sums in foreign currency, and they also took care of many of the formalities required in such cases. Then what happened? The people in the Baumanskiy Rayispolkom suddenly remembered that the tract had been promised to someone else long ago.

Finally, it is understandable that joint ventures should receive foreign currency to use at their own discretion. This has its good points and its bad points: It arouses unhealthy appetites in many, including some completely official organizations. We had to pay the Moscow City Department of Non-Residential Accommodations 800 rubles in foreign currency, for example, just for processing our request for 72 square meters of office space. This is the price of a fairly good personal computer, and we certainly could have used one. But that was not even the end of the story. Inspired by the prospect of making some money, V.D. Rozhkov, chief of the Production Repairs and Operations Administration of Pervomayskiy Rayon in Moscow, the neighborhood where our new offices would be located, also sent us a bill. In line with the "community cooperation" agreement he tried to foist on us, we would have had to pay his administration half a million rubles a year in addition to our rent, arrange for the landscaping of three new lots each year, repair the roof and the heating system, using our own materials, etc. Could this be described as anything other than extortion? I cannot think of another word.

I have the feeling that not everyone who reads my letter to the newspaper will sympathize. "As soon as they start rubbing elbows with the bourgeoisie," some people might say, "they get infected with their stinginess and start counting every kopeck." I must say that I find

nothing shameful in counting kopecks, and I think we should learn to count them. The main issue, however, is something else: Joint ventures represent the overseas facade of our economy, and we must see to its upkeep.

### Impediments to Formation of Joint Ventures Examined

90UJ0285A Moscow NEDELYA in Russian  
No 50, 11-17 Dec 89 pp 6-7

[Article by Vladimir Anisimov: "Speaking in Different Languages"; words in boldface as published]

[Text] As soon as the iron curtain was lifted, we immediately changed signs. In the past everything was marked with a plus sign (Remember? "Soviet means excellent!"). Now we have a hopeless minus sign. **Everything** is bad! Our famous symphony orchestras, it turns out, are playing out of tune. Our medicine is hopelessly outdated. Our science is on the decline. Our economy.... Well, the whole economy is a series of black holes.

For 2 weeks, official experts told 70 American businessmen what was bad about our economy and why. My writer colleagues interviewed representatives of the firms:

"What would you do if you were Ryzhkov?"

"How can we get out of the economic crisis?"

It is true that no man is a prophet in his own country, but a mediocre businessman—yes, he can immediately say what our premier should do....

I must caution you right away that my cynicism is not a product of national pride (although it was probably a contributing factor). It is simply that our self-criticism sometimes reaches the point of some kind of passionate self-flagellation, bordering on masochism. I tested my impression out on the Americans. They are tactful people (especially when they are guests), but they respond to direct questions with equally direct answers. Everything checked out....

By a quirk of fate, I will have to do the same thing. To be specific, I have to ask why we cannot organize broad-scale cooperation with Western businessmen. I will not pretend that my analysis is complete. I simply want to make a few personal observations.

The Feniks enterprise decided to conduct an experiment: to invite representatives from 70 U.S. firms (from Boeing to apparel manufacturers) and take them from Moscow to Rostov-on-Don on a chartered boat. They would visit plants and factories in 10 cities and establish contact with the directors. Now that the state has given up its monopoly in foreign economic operations and has extended this right to enterprises, many procedures, ideally, should have been simplified. Plants can, for instance, trade autonomously with any firm, form joint ventures, and earn hard currency.

The trip took place this September. The Americans did not conceal the fact that they had come reconnoitering (this was the first time most of them had been in Russia). They also had a practical interest, however, in opportunities for joint ventures, capital investments, and trade.

One of the first questions our experts were asked was the following:

"You say that plants now have more freedom. I do not understand—**how much** freedom?"

No one could answer this question in one word or cite the percentage value of the degree of freedom. In general, it is difficult to converse with a business partner who speaks a different language. Some of the problems disappear when there is an interpreter nearby, but how can an interpreter help when the partners speak different economic languages?

Consider freedom, for example. An enterprise is free to trade, for example, only in above-plan products. Everything else is part of a strict assignment. Try to explain to an American where above-plan products come from when the factory's allotted capital, raw materials, and components are part of the plan! Can shipments of above-plan products be **guaranteed** in specific quantities in advance? From the standpoint of the market economy or even of simple common sense, the whole situation is too uncertain. Everything is so much simpler in the capitalist world: I have the money and you have the goods.

The same thing applies to the freedom to organize joint ventures. In the West this depends on an agreement by two (or more) firms. Before a Soviet plant can form a joint venture with a foreign firm, it has to hurdle a minimum of eight obstacles:

1. It has to find a reliable partner (but how, if it does not know enough about the business world?).
2. It has to find a sales market (which is also difficult in the complete absence of marketing in our country).
3. It has to arrange for supplies of raw materials.
4. It has to reach an understanding with local authorities.
5. It has to gain its ministry's approval of the articles of incorporation.
6. It has to prove to the Ministry of Finance that the technical and economic substantiation of the joint venture has been compiled accurately.
7. It has to open a ruble account in a bank (this is not easy, but it is even more difficult to open an account in the Foreign Economic Bank).
8. It has to obtain a license from the Ministry of Foreign Economic Relations.

This should clear up the following figures. Around 1,000 joint ventures have been registered in the USSR. Only

half are operating. Only 2 of the 44 registered Soviet-American joint ventures are operating.

Here is one incident illustrating the freedom of enterprises. We were told about it in the Ulyanovsk Aviation Industry Complex.

The French asked the Ulyanovsk complex to make them 60 million francs' worth of metal cabinets. This was the hard currency we need so much! The order did not present any problems for the aircraft builders, but they could not get any steel plate from Gosnab or anyone else. Therefore, freedom is freedom, but everything depends on Gosnab in matters of supply.

Each day on the boat there were conferences, roundtable discussions, and debates with the American side. I will cite a few questions and answers, and maybe they will shed more light on the complexity of these problems:

"In the West, before anyone even discusses joint ventures or capital investments, they analyze the market to find out what can be sold and where. Here I have never heard a word about marketing!"

"How could we have marketing without a market?"

"How will you provide the joint venture with all types of resources: raw materials, energy, and so forth?"

"There are centralized deliveries and there are also direct ties with other enterprises. (But I have already mentioned the situation with regard to supply...—V.A.) There is also another way. The Stomatology Institute, for example, agreed to treat 25 clients who will secure deliveries of the materials needed for fillings—the products of a joint venture."

Attorney John Morton had this reaction to that comment:

"I am certain that this was not mentioned in the contract for the joint venture...."

One American asked an extremely significant question:

"How do you know your partner is reliable?"

"If you are dealing with the Ministry of the Aviation Industry, it is effectively underwritten by the government. If you form joint ventures with the plants of other departments, you will have problems: They do not have accounts in the Foreign Economic Bank, and no one will vouch for them."

"You mean there are some ministries that are more highly respected than others?"

"It is difficult to say.... There are ministries that are richer than others because some live on subsidies."

In the place of this businessman, I would give the matter some careful consideration.... If the state will not be

liable for the Soviet partner's obligations and if no one will vouch for the partner, is there any point in risking capital?

Toward the end of the discussion one of the businessmen came up with an interesting metaphor:

"Organizing a joint venture is like walking through a minefield. We want you to give us a map of this field!"

"The mines are always in different places, and it would be impossible to put all of them on a map.... Here is one of the most recent ones: The Ministry of Power and Electrification decided that all joint ventures with a profit in hard currency should pay for their energy in hard currency. We are challenging this decision now...."

It is true that mines are laid by anyone who feels like it. By law, the joint venture is exempt from taxes for 2 years after the first profits are declared. The Ministry of Finance, however, has published its own legal act: 2 years after the joint venture has been registered!

And what if someone decides tomorrow to intrude into the jointly produced commodity volume or prices?

In Kalinin, the senior vice president of Leslie Fay Companies, Inc., Herman Gordon, went to the apparel association and spoke with our director. I later asked the director about the outcome of the meeting.

"We seem to have reached a preliminary agreement on a joint venture.... We can sew fairly good clothing, but the fabric we get is bad. The firm is willing to supply us with fabric and equipment—on the condition of the export of part of the products and the division of currency receipts."

"But I can see that something is bothering you."

"The problem is that they want to schedule product deliveries down to the day, but this would depend on the railroads and the shipping lines...."

I think there is no need to go on: Our director has as many problems as he has contractors. Whereas a supplier or shipper can be "penalized" by means of arbitration inside the country, you cannot pay for negligence in the world market with the rubles no one needs.

What is it that attracts businessmen to Russia? Sadly enough, it is the cheap labor. (Of course, no one knows the exact true price—counting free medical care, cheap housing, etc.—but there is no question that the earnings of our workers are incomensurable with American wages.) Otherwise, there would be no reason to surmount the countless bureaucratic obstacles. And as a matter of fact, few people are surmounting them. According to figures in the press, 920 of every 1,000 businessmen who begin negotiating with us decide not to work with us!

There is still no mechanism to "link" our interests with Western interests. This can get ridiculous: A new firm has incredible difficulty getting...a telephone number.

This sounds completely preposterous to the American who can call any city from his own car. We have also heard that a Western businessmen's association has been set up specifically to deal with our bureaucrats and protect the interests of joint ventures!

Bureaucratic red tape and flaws in the economic system, however, are not the whole problem. They can be surmounted eventually. What worries the Americans most is something else: They do not have much faith in the stability of our political system. There is no guarantee that it will not change with the arrival of a new leadership....

"In our country," they say, "a change of presidents also means certain changes in policy, but a 180-degree turn like yours is impossible. Our guarantee of this is our 200-year-old constitution."

As a matter of fact, can we be absolutely certain that the cooperatives and joint ventures will not be liquidated in years? In the same way that the foreign concessions which were providing the state with millions in profit were liquidated in 1933? Of course, we say that perestroika is irreversible, but are words—even those spoken at the highest level—enough for a businessman?

Here are a few interviews from the end of the trip.

**John McKinney, steel company president:**

"In general, the trip lived up to my expectations.... The main thing I wanted was to see Russia, meet the people, and hear what they think. After all, you were isolated for a long time. I must say that many people in the United States do not trust Russia and believe that it impeded production and progress in the States with the arms race. This is the reason for their suspicions."

"Even now that perestroika is going on?"

(The interpreter asked the last question on her own initiative. McKinney replied: "Tell me, if your husband had beaten you every day for the last 30 years and then said he would never do it again, would you believe him right away?")

"Where did you meet people and what happened at the meetings?"

"I was able to visit the railway car plant in Kalinin and the diesel equipment plant in Yaroslavl. My general impression of the car-building plant was that safety regulations were minimal: The workers do not wear protective goggles or helmets. Equipment maintenance is poor. Parts are piled up at each station, and this should not happen. The Yaroslavl plant is clean, the equipment is modern, and the people work hard."

"Did you have any business conferences?"

"Yes, with an agency in Yaroslavl, but I had the impression that your businessmen are not completely aware that they will have to compete with American and

European firms and that this competition can be fierce. There is a great desire for cooperation, but little experience in this field. Will I have broader contact with your businessmen? Time will tell. It seems to me that you are in too much of a hurry: You want to have a meeting on Tuesday and sign a joint venture agreement on Wednesday. The organization of joint ventures with the Japanese took years—you have to learn as much as you can about your partner. Of course, deals are made quickly in the United States, but this is a completely different matter.... In our dealings with Russia, we are more likely to think about the future, but this does not exclude deals in the present if the possibility exists. You must realize that competition is quite strong in our country as far as quality is concerned. Clients return inferior goods, they do not pay for them, and they never have anything to do with the firm again."

"If we copy you, will we take the risk of always being behind in technology and organization?"

"You are oversimplifying the matter. After all, we also copy others. But only in some respects, and not in all. We copy the Japanese and they copy us. Why not take the best that others have to offer?"

**George Cooker, chairman of the board of Moscow Projects Management, a Soviet-American joint venture:**

"Your economic system is unique and you do everything differently. I would compare it to a person who has been released from prison after years of confinement.... To put it differently, I can also say that the state of your economy reminds me of the state of a post-operative patient—he is getting better, but he still has trouble walking. Successful international cooperation requires the same economic laws and an economic language used throughout the world...."

**Herman Gordon, senior vice president of Leslie Fay Companies, Inc.:**

"I was impressed by the Kalinin apparel factory. The building is old, but the equipment and the computers for cutting the fabric are good."

"Is there a possibility of a joint venture?"

"Theoretically, yes, but because of the well-known Jackson-Vanik amendment, we will have to pay high duties on the goods brought into the United States. For this reason, much will depend on whether we can reach an agreement with the Kalinin factory on labor costs...."

The Americans spoke at length and with pleasure about our frankness: We are not shy about revealing our difficulties, we do not conceal the complexities of cooperation, and we show them the kind of enterprises we would not have let them within a mile of in the past.

We were equally candid in showing them an example of our inefficiency and lack of punctuality—in the organization of the business portion of the trip.

Feniks sent information about the upcoming visit, the dates, and the number of firms to be represented, to all 10 cities in advance. In spite of this, not one of the cities could furnish premises for business conferences between the businessmen and our directors. The boat was a veritable Tower of Babel in Kalinin. All of the passageways, gangways, and salons were packed with representatives from plants and factories. People had to conduct negotiations in these incredibly crowded conditions, with hardly a place to sit down.

In Yaroslavl, on the other hand, there was almost no one representing our side: The local soviet was in session, and the directors, as we know, are deputies.

In Kostroma three division chiefs from the agroindustrial committee arrived in the evening.

"What are you looking for?" I asked them.

"We want to find a firm to supply us with the equipment to extract sapropel from the bottom of the lake. It is an extremely necessary and valuable fertilizer in demand throughout the world."

"But where were you this morning?"

"We had to take care of business, you know...."

Of course, they had to take care of business.... You would think that the presidents of large firms come to Kostroma every day. And of course, they are the ones who need the new equipment, technology, and hard currency, so they can wait until three minor officials finish taking care of their affairs in the agroindustrial committee that keeps us so well-nourished.... Needless to say, they did not find the kind of firm they were looking for and had to go back to where they had come from. (Incidentally, each enterprise had to pay a thousand rubles in advance for negotiations! Obviously, the money did not come out of the director's pocket....)

Many scheduled trips to enterprises were cancelled, but this was the very reason that the guests had come. As we arrived in each new city, the Feniks representative would rush to the ispolkom in the morning to start calling all of the plants to see if any of them could receive the visitors.

The people at AvtoVAZ showed some mercy and agreed to take some people through the shop, but only 25, counting the interpreters, and they demanded a list of the guests in triplicate. After a minor uproar, they let everyone in, and without the list. They took us past the assembly line at a gallop. I do not know what the Americans thought of this....

In Kazan the foreigners were separated from the Soviet representatives (including the journalists) outside the helicopter plant. They started to lead our group away in another direction. Once again, there was an unfathomable limit on the number of visitors. After we insisted on knowing who had issued these orders, it turned out that all of us could tour the plant. Honest to God, we felt so awkward when the foreigners saw that our own people

could not even treat us with respect. So what if 30 people, instead of 15, heard a lecture on the technology for the production of helicopter blades? Not one blade was stolen....

I asked two of the "Russian-speaking" Americans what would happen if they had to organize this kind of trip for Soviet directors along, for instance, the Mississippi. David Ayers replied:

"We would have a precise itinerary for each day. Including alternate plans, of course. But here, when we arrive in a city in the morning, we have no idea where we might be going and whom we might be meeting...."

George Cooker added:

"I would give your directors a chance to stay longer at the plants and see how we work and to stay with one of our families.... Yes, the Russian towns on the Volga are beautiful, but business is our main interest!"

From the standpoint of business, the best results were obtained by the Ministry of the Aviation Industry, which sent its "landing party" to the boat in Moscow. Each day the personnel of this ministry conducted negotiations with Boeing and other well-known firms. This resulted in concrete agreements with the Textron and Catty Industrial firms. Besides this, Feniks and Oklahoma City University President Jerald Walker signed an agreement on the establishment of a business school as a joint venture.

We are having difficulty, so much difficulty, finding a common language.

#### Legal Controls on Joint Ventures Explained

90UI0284A Moscow KHOZYAYSTVO I PRAVO in Russian No 11, Nov 89 pp 57-63

[Article by Ye. Anikina, candidate of juridical law and scientific associate at Institute of Government and Law, USSR Academy of Sciences: "Controlling the Operations of Joint Ventures"]

[Text] One of the most pressing problems in the activities of joint ventures arises in connection with the exercise of control over their operations. This is a matter of serious concern to foreign participants because it is connected with the effectiveness of their investments abroad. Control is an essential and important condition of successful activity by joint ventures within the territory of the USSR. An insufficient awareness of current laws in the USSR, however, frequently causes foreign participants to equate controls on the operations of joint ventures with interference in their internal affairs. This arouses some doubts about the expediency of investments in a country with an unfamiliar legal and economic system.

We cannot say that Soviet participants in joint ventures know enough about current laws in this sphere either.

The forms of control over the operations of joint ventures and the procedures, methods, and means of exercising control are described in the most general terms in government decrees and require additional clarification.

Above all, control functions are assigned to the direct participants in joint ventures. For example, Paragraph 41 of Decree No 48 of the USSR Council of Ministers of 13 January 1987 and Paragraph 44 of Decree No 49 of the USSR Council of Ministers of the same date stipulate that participants in joint ventures will be provided with all of the necessary information about the operations of the enterprise, its property status, and its profits and losses in the manner specified in the articles of incorporation for the exercise of the rights of control. The formation of auditing commissions is only the right of the joint venture, however, and not an obligation. The joint venture can have an auditing commission, formed in the manner specified in the articles of incorporation. It would be best for the articles of incorporation of the joint venture to stipulate that an auditing commission will be appointed by the board of the joint venture to audit its financial and commercial operations. The board will discuss and approve the reports and conclusions of the auditing commission on the results of inspections conducted at the enterprise. The main function of the auditing commission of a joint venture will be the disclosure of possible violations of administrative and financial regulations and the elimination of their causes and contributing factors. It would be best for the commission members to include qualified auditors and experts on foreign-economic and legal matters.

Audits of the financial and commercial operations of joint ventures could also be conducted for a fee by an independent Soviet auditing organization. The Inaudit joint-stock company was founded in September 1987 to offer auditing and consulting services to joint ventures, with Soviet organizations and enterprises among their participants, operating in the USSR and abroad, to organizations and establishments conducting operations with foreign currency in the USSR and abroad, and to other interested Soviet and foreign organizations. It is a legal entity and operates on the basis of economic accountability. Inaudit reviews commercial and financial operations and also draws up proposals to improve the operations of joint ventures and offers consulting services on taxes, bookkeeping, the organization of internal financial oversight, the rules of foreign trade transactions, operations with foreign currency, and other matters. In accordance with existing laws, only Inaudit is empowered to make reports on the balance sheet of a joint venture and the observance of bookkeeping rules. Foreign auditors are not allowed to review records.

Some control functions have also been assigned to the Soviet government agencies (union republic councils of ministers, the USSR Ministry of Finance, USSR Gosplan, USSR Gosbank, the USSR Foreign Economic Bank,

and other interested ministries and departments) responsible for supervising the operations of joint ventures and securing their normal functioning within the territory of the USSR.

By Soviet law, the joint venture is a legal entity. The state not only endows it with sweeping powers and guarantees the observance of these powers by Soviet law, but also offers it all-round assistance in the establishment of its operations. For this reason, the state reserves the right to control the proper use of the powers granted to joint ventures. In accordance with this, joint ventures are empowered to make all decisions independently, as long as they are not contrary to existing laws. Their operations must not violate the normal working conditions of other enterprises and associations or have an adverse effect on the living conditions of citizens.

State control of the operations of joint ventures is expected to secure cooperation, mutual benefit, and the equality of all participants in this form of economic activity, based on the principles of the fair treatment of the foreign partner and respect for his interests, and also to secure the observance of laws and of economic and financial regulations in their sphere of operations. Obviously, the Soviet state agencies performing the control functions must not infringe upon the rights extended to the joint venture or interfere in its productive activity.

The USSR Ministry of Finance has an important role to play in financial control. The joint ventures within the territory of the USSR are registered with the USSR Ministry of Finance after their articles of incorporation enter into force, and they acquire the rights of a legal entity only after registration. Registration is conducted by the State Revenues Administration of the USSR Ministry of Finance after the information in the documents submitted for registration has been judged complete and accurate (Paragraph 9 of Directive No 34 of the USSR Ministry of Finance of 12 February 1987 "On the Procedure for the Registration of Joint Ventures and International Associations and Organizations Founded Within the Territory of the USSR with Participation by Soviet and Foreign Organizations, Firms, and Administrative Bodies"). State, cooperative, and other public enterprises and economic organizations cannot negotiate any kind of transactions or contracts with joint ventures prior to their registration (Paragraph 3 of the directive).

In accordance with Paragraph 23 of Decree No 48 and Paragraph 5 of Decree No 49, during the process of their economic operations, joint ventures are obligated to keep operational, bookkeeping, and statistical records in the manner stipulated in the USSR for Soviet state enterprises. Keeping accounts and making reports are essential and important conditions of operational efficiency. Accountability is necessary primarily to the joint venture itself, so that it can know the exact state of its finances and can ensure the fair distribution of profits. Joint ventures must have precise information about all aspects of their economic operations. Soviet state agencies need these reports only for the purpose of analyzing

the means, forms, and methods of the development of joint ventures, guarding against various difficulties, rendering the necessary assistance, and monitoring the observance of laws and of contractual and financial regulations.

The format of the accounts and records of joint ventures was established by the USSR Ministry of Finance in conjunction with the State Committee of the USSR for Statistics. In accordance with Directive No 53 of the USSR Ministry of Finance and No 13-09 of the USSR Central Statistical Administration of 27 February 1987 "On Keeping Accounts and Records at Joint Ventures and International Associations and Organizations Within the Territory of the USSR," accounting at joint ventures is conducted in line with the forms and procedures stipulated in the USSR for Soviet state enterprises. In the initial accounts of their production and financial operations, joint ventures must use the standard forms of initial documents established in the USSR for Soviet state enterprises. The accounts and records of joint ventures will be kept by bookkeeping personnel, headed by a chief accountant, whose actions will be governed by the Statute on Chief Accountants, ratified by Decree No 59 of the USSR Council of Ministers of 24 January 1980 (Paragraph 3).<sup>1</sup> It is true, however, that the distinctive features of the operations of joint ventures sometimes preclude their strict adherence to existing procedures for keeping accounting and statistical records. In line with the current statute, for example, land cannot be included among fixed assets, and the payment for its use is part of the joint venture's charter capital.<sup>2</sup> In connection with this, a letter from the USSR Ministry of Finance and the State Committee of the USSR for Statistics of 3 May 1988 specified certain privileges and special rules for joint ventures to simplify the modification of accounting and report forms. It also listed some distinctive rules pertaining to some of the operations of joint ventures, including contributions to charter capital and settlements in foreign currency. Besides this, by agreement with the foreign partners in a joint venture, Inaudit can convert Soviet bookkeeping records into records conforming to Western standards.

Therefore, the USSR Ministry of Finance and the State Committee of the USSR for Statistics are expected to oversee the compilation procedure and reliability of accounts and reports at joint ventures, and the failure of the joint ventures to observe these rules will be punishable by Soviet law (Paragraph 23 of Decree No 48 and Paragraph 45 of Decree No 49). Besides this, the USSR Ministry of Finance performs tax control functions. Decree No 48 of the USSR Council of Ministers (Paragraph 44) specifies that the calculation of taxes on profits will be conducted by the joint venture itself, but financial agencies have the right to check the accuracy of tax calculations. Late payments will incur a fine of 0.05 percent for each day the payment is overdue. The collection of overdue taxes will follow the procedure specified for foreign corporations in the Statute on the

Collection of Late Tax and Non-Tax Payments, ratified by an ukase of the USSR Supreme Soviet Presidium of 26 January 1981.<sup>3</sup>

These matters are regulated most thoroughly in Directive No 124 of the USSR Ministry of Finance of 4 May 1987 on the taxation of joint ventures. In line with this directive, local financial agencies are obligated to monitor the correct calculation and timely and complete payment of taxes on profits by joint ventures, as well as the timely submission of reports by taxpayers. They must oversee the correct and timely payment of taxes on part of the profits of the foreign participant in a joint venture when this portion is being transferred abroad. Financial agencies have the right to demand additional information from taxpayers during tax audits.

According to Paragraph 23 of Decree No 49, the joint ventures established within the territory of the USSR with the participation of capitalist countries will draw up and approve the programs of their economic operations independently. State organizations in the USSR will not set mandatory plan assignments for them or guarantee the sale of their products. A slightly different procedure has been established for joint ventures formed with participation by socialist countries. These joint ventures will also draw up and approve the plans for their economic activity independently, but in the socialist countries these ventures are regarded as an integral part of the planned socialist economy and they operate within this framework. In Hungary, for example, people feel that as long as the joint ventures are operating within the territory of Hungary and are subject to Hungarian law, they should be an organic part of the economic mechanism, including the country's planned economy.<sup>4</sup> In our country the coordination of plans for national economic development with the plans of joint ventures and the supervision of their implementation are the responsibility of USSR Gosplan.

The control functions of USSR Gosbank and the USSR Foreign Economic Bank are connected with the crediting of joint ventures. If necessary, they can apply for credit on commercial terms: in foreign currency, from the USSR Foreign Economic Bank or, with its consent, from foreign banks or foreign firms; in rubles, from USSR Gosbank or the USSR Foreign Economic Bank. Interest is paid on cash deposits in rubles or foreign currency in accounts in USSR Gosbank or the USSR Foreign Economic Bank. The settlement of accounts and the crediting of joint operations in Soviet rubles and the safeguarding of their financial resources in rubles in accounts in USSR banks are conducted in line with the existing procedure for Soviet organizations. The regulation of aspects of the crediting and settlements of joint ventures can be found in Directive No 1015 of USSR Gosbank and No 149 of the USSR Foreign Economic Bank of 22 September 1987 on "The Procedure of the Crediting and Settlements of Joint Ventures and International Associations and Organizations of the USSR and Other CEMA Countries and of Joint Ventures with

#### Participation by Soviet Organizations and Firms in Capitalist and Developing Countries."<sup>5</sup>

According to this directive, an enterprise soliciting credit must submit an application to the USSR Foreign Economic Bank, listing the purpose of the loan, the amount, the date, a description of the commodity to be purchased, its value, the economic impact of its use, etc. In this way, applications for credit are always substantiated. Banking establishments can ask the borrower for reports on the financial status of the enterprise and additional information on the purpose of the loan, its repayment, and the effectiveness of equipment purchased on credit. The credit can be secured by the assets of joint ventures, promissory notes, and the guarantees of foreign banks and insurance companies accepted in international practice. The bank will oversee the proper use, security, and timely repayment of the credit extended to the joint venture. To this end, the personnel of banking establishments will regularly examine enterprise documents and will even conduct on-site audits when necessary. If the credit is not being used for the designated purpose, the bank can demand the immediate repayment of the loan or cancel the credit agreement. If the borrower does not pay the debt on schedule, the bank will investigate the reasons for the failure to repay the loan and will have the right to pay off the borrower's debts with the money in the borrower's account. If the borrower systematically violates the terms of a credit agreement or bank requirements and recommendations, the USSR Foreign Economic Bank will be empowered by the terms of the credit agreement to stop the further use of the credit and demand the immediate repayment of all earlier credit extended to the borrower in foreign currency.

After the dissolution of a joint venture, foreign participants are guaranteed the right to transfer the sums due them as a result of the liquidation to their own country in convertible rubles and foreign currency. The USSR Ministry of Finance, USSR Gosbank, and the USSR Foreign Economic Bank will monitor the return of the foreign partner's investment in the form of money or commodities, in line with the residual value of the investment at the time the enterprise, association, or organization is liquidated, after all commitments to Soviet participants and third parties have been honored. The liquidation of the joint venture will be registered with the USSR Ministry of Finance.

#### Footnotes

1. SP SSSR, 1980, No 6, Art 43; new statutes on the chief accountant and on accounts and balance sheets are now being drawn up, and the draft statutes were published in BUKHGALTERSKIY UCHET, 1989, No 1.

2. EKONOMICHESKAYA GAZETA, 1988, No 46, p 20.

3. VEDOMOSTI VERKHOVNOGO SOVETA SSSR, 1981, No 5, p 122.

4. B. Pete and I. Los, "Mixed Companies with participation by Socialist and Capitalist Countries," PROBLEMY TEORII I PRAKTIKI UPRAVLENIYA, 1987, No 1, p 65.

COPYRIGHT: Izdatelstvo "Ekonomika", "Khozyaystvo i pravo", 1989

### Export of Natural Resources Criticized

90U103134 Moscow NASH SOVREMENNICK in Russian No 11, Nov 89 pp 3-7

[Article by V. Katasonov: "Nature for Export"]

[Text] Fuel and raw materials have always dominated Soviet exports, but the "oil boom" of the 1970s led the resource orientation of our exports to an extreme. Thus, while in 1962 17.8 million tons of crude oil were exported from the USSR, as many as 119 million tons were exported in 1980. It may be embarrassing to say this, but in the early 1980s, fuel, raw materials and semifinished products made up over four-fifths of all goods exported from the country—more than in other developing countries. Numerous monographs exposing the mechanism of imperialism's exploitation of the natural resources of Third World countries and the perniciousness of their economy's orientation on raw material exports were zealously written, ignoring what a "time bomb" growing exports of natural resources were to our society.

Since April of 1985, owing to new economic, political and ecological thinking, we finally became aware of the danger of the raw material orientation of our economy and foreign trade. The drop in world prices on oil and other natural resources that began slightly earlier cost our state 40 billion rubles in profits (since the beginning of the 12th Five-Year Plan, just from the sale of oil alone), and it became one of the main reasons why the union budget began to be drawn up with an enormous deficit (according to tentative estimates it was 100 million rubles, or more than one-fifth of budget expenditures, in 1989)<sup>1</sup>.

The USSR economy's high dependence upon exports of a single commodity—oil (around two-fifths of the cost of exports in the early 1980s)—makes it extremely defenseless against the whims of the world market (especially considering the extremely unstable condition of the raw material market). "To the USSR," notes one of the authors of the journal KOMMUNIST, "reduction of income from oil sales is approximately equivalent to the losses which may occur with the loss of all income from exports of machine building and ferrous metallurgy products, timber and wood products, cotton fiber, fish and fish products all taken together." Such dramatic swings in levels of export income practically paralyze the possibilities of planning our economy.

If we consider that resources leave the USSR with practically no preliminary processing, the picture becomes even more depressing, and the total losses

become more complete. Our "kruglyak" (unprocessed timber), for example, goes for not more than \$72 a cubic meter in Western European countries, while boards sell there for \$207 per cubic meter, and newsprint sells for \$630 per ton. Today, not only all developed capitalist countries but also the overwhelming majority of Third World countries have ceased such timber exports. Indonesia, the Philippines and Malaysia have imposed prohibitions on exports of "kruglyak". In our country in the meantime, around half of the timber exports of the mid-1980s were represented by unprocessed timber. In an interview with SOVETSKOY ROSSIYA (5 June 1988), Academician A. S. Isayev, chairman of the USSR State Committee for Forestry, declared the following in this connection: "The inability to sensibly process timber is placing us in an exceptionally disadvantageous position in the world market: We export trainloads of top-grade timber at low prices and purchase articles made from the same at three times the price." A similar practice also exists in relation to other natural resources. What is most terrible is that contrary to all logic, and the requirements of the scientific and technical revolution, and the numerous appeals and decisions of the party and government in the 1970s and 1980s, rather than decreasing, the proportion of unprocessed products exported abroad grew in relation to many raw material groups! This means that the sell-off of our national wealth went on and continues today on an exponential curve.

It is hardly possible to translate into the language of figures the ecological consequences of incessant exports of natural resources. Just in Yamal alone, where gas deposits are being developed for export, 6 million hectares of reindeer pastureland have been destroyed thus far. According to calculations of associates of the Yamal Agricultural Experimental Station, the minimum cost of the damage done to natural resources of the Yamalo-Nenets Okrug is 60 billion rubles (this is approximately equivalent to the cost of a year's worth of total Soviet exports). A similar situation is also observed at other oil and gas deposits. Thus, back in 1983 G. A. Shemrayev, the chief engineer of the Yamburg gas deposit development project, was forced to admit in an interview with a correspondent from the journal EKO (No 2, 1984, pp 156-157): "Effective waste treatment specific to Arctic conditions...has not yet been conceived. The presently employed methods of freezing liquid wastes inevitably bring up the problem of what to do with them next. The extremely tight planning schedule precludes scientific research. This pertains not only to treatment plants but also to the project as a whole." There is little else to say, except that work in this spirit is still continuing in Yamburg.

A no less depressing situation has evolved in the sphere of logging for export. One would think that timber is a renewable resource, and that we could send timber abroad while still maintaining and even expanding the corresponding export base. In Finland, owing to sensible management of natural resources, the forest area will

remain at the present level by the end of the century, while the logging volume will increase by a third. Alas, in the conditions of our mismanagement, even renewable resources are ceasing to be renewable. The rate of reforestation in our country is 10 times lower than in Western Europe. Growth of wood per hectare is a time and a half less than procurement; in Canada and Norway, the reverse is true. Given the present rate of logging and wood exports, we will use up the remaining forests in 50-60 years, and transform our country, which presently holds the title of a "timber power," into a veritable wasteland.

Perhaps the most terrible consequence of exporting natural resources is that it destroys not only nature but also man. Marx wrote in his time: "To wasteful a nature controls man like a child. It does not make his own development a natural necessity" (Marx, K. and Engels, F., "Soch." [Works], 2d Edition, Vol 23, p 522). It is as if Marx had us specifically in mind! In the times of stagnation, the question "Why?" was probably asked by many. Despite the growing disintegration of the economy, we still continued to exist, and relatively painlessly: No one in our country has died from hunger, people have acquired expensive things, the young have become accustomed to dressing fashionably, millions of citizens have started traveling abroad on tourist passes, and so on. But the answer is simple—this is at the expense of natural resources exported abroad; that is, speaking in scientific language, at the expense of differential rent (value created in other countries and recaptured by our state as the owner of natural resources). The psychology of the bulk of the people in such a state becomes parasitic (the habit of creativity, initiative and hard work disappears).

In the period from 1974 to 1984, oil and petroleum product exports provided our country with substantial income—176 billion nonconvertible rubles. Where are they? A significant part of them have disappeared like water into sand: They have been eaten up or worn out in the form of imported consumer goods. It is apparently no accident that the "oil boom" and sharp growth of grain and food purchases by our country coincided in time. While in 1970 we imported 121.3 million rubles worth of grain, in 1976 imports were as much as 2 billion, and 4 billion in 1981. In the years of stagnation, grain purchases abroad attained a level of 30-40 million tons per year. While India and China were successfully moving toward a solution of their food problem, we allowed our agriculture to go downhill more and more.

"Petrodollars" had a depraving effect on our industrial leaders. Rather than seeking internal reserves, they preferred to purchase imported equipment. As a result almost 100 percent of synthetic fibers and liquid complex fertilizers, over 70 percent of ammonia and carbamide, 60 percent of cement, 40 percent of pulp and paper, 30 percent of rolled metal and over 70 percent of passenger cars are produced on such equipment in the country today. Just during the 11th Five-Year Plan the

country received various types of machinery and equipment from abroad valued at a total sum of over 100 billion rubles. And ultimately, imports worked against us in the overwhelming majority of cases. First of all they retarded our own scientific research and development. Moreover we often purchased obsolete equipment causing our country to fall even farther behind the West in technical respects. Finally, this equipment was channeled primarily into the development of sectors and production operations associated with fuel and raw material extraction, and production of materials-intensive and energy-intensive products. Ever-larger quantities of "petrodollars" began to be spent on further expansion of resource extraction and production of primary materials. A situation of "exports for the sake of exports" arose as a result; our economy fell into a unique sort of vicious circle of raw material exports.

The task of breaking this vicious circle was posed by our party's 27th Congress. USSR Council of Ministers Chairman N. I. Ryzhkov declared in particular in his report to the Congress: "Foreign trade is making a substantial and continually increasing contribution to our economy's development. Today there is practically no sector which has not been made a part of foreign economic ties. However, it is impossible to move forward quickly by the traditional paths. First of all we need to change the raw material orientation of exports, and raise the proportion of processing sectors in them." This was the correct decision. But how is it being fulfilled?

Let's look at the value structure of USSR exports. In 1980 the proportion of raw materials, fuel, energy, semifinished products, chemical products and dietary goods in our total exports was 81.7 percent (the rest consisted of machinery, equipment, transportation resources and industrial consumer goods). In 1985 this indicator was 84.4 percent, and in 1987 it was 81.9 percent. As we can see, no special changes can be observed today in comparison with the early 1980s. A certain decrease in this proportion in comparison with the mid-1980s can be explained by a significant drop in prices on fuel and raw materials in the world market. It would seem that under unfavorable market conditions, common sense would suggest the need for reducing exports of goods of decreasing value (all the more so because numerous forecasts suggest that prices on oil and some other resources will rise significantly in the future). We, in the meantime, who have found ourselves in a vicious circle, do precisely the opposite: In order to compensate for the drop in export income, we do everything we can to increase the physical volume of resource exports. Thus in 1985-1988 the value of Soviet exports decreased by 8 percent, primarily in view of a drop in world prices on oil and gas, while the physical volume of exports increased by 16 percent. Just in 1985-1987 the quantity of oil exported from the country increased from 117 million to 137 million tons (by 17 percent), natural gas exports increased from 68.7 billion to 84.4 billion cubic meters (by 22.9 percent), unprocessed timber exports increased from 15.4 million to 19.3 million cubic

meters (by 25.3 percent), and so on. It is a bitter admission that such opposing forces in the dynamics of the value-based and physical volumes of exports are a typical trait of economically weakly developed countries. Such a situation signifies—this conclusion was reached long ago by specialists on the economics of developing states—that the more the country exports, the poorer it becomes. Our forcing of fuel and raw material exports recalls ever-faster running in place, or even backwards.

Forced imports rest upon further growth of resource extraction. Our economy's fuel and raw material sector is demonstrating real models of "acceleration" on the backdrop of the economy's general dynamics. Thus, maximum oil extraction in the 11th Five-Year Plan occurred in 1983—616 million tons (including gas condensate); then extraction decreased to 595 million tons. As A. Aganbegyan writes, "In the past 2 years (after 1985—V. K.), forced development of oil deposits has been observed in Western Siberia. All of this is making it possible to surmount unfavorable tendencies in Western Siberia and to achieve a stable increase in oil extraction. In 1986 alone, the increase in extraction of oil (including gas condensate) in the country was 20 million tons. Stable growth of oil extraction continued into 1987, when its volume (including gas condensate) was 624 million tons" (Aganbegyan, A., "Sovetskaya ekonomika: vzglyad v budushcheye" [The Soviet Economy: A Look into the Future], Moscow, Ekonomika, 1988). The academician writes in that same triumphant spirit about additional extraction of natural gas, coal and commercial timber. And this is in the face of the fact that outlays in our country on extraction of each ton of fuel and raw materials are growing almost before our eyes. It is extremely strange to hear praise addressed to our extracting sectors by a scientist who argued just 3 years previously that increasing extraction of resources in our country was unsuitable, since it retards transition of the Soviet economy to the rails of intensive development (see Aganbegyan, A., "Nauchnotekhnicheskiy progress i uskoreniye sotsialno-ekonomicheskogo razvitiya" [Scientific and Technical Progress and Acceleration of Socioeconomic Development], Moscow, Ekonomika, 1985). We can only guess at the reasons for such a metamorphosis.

Scorning the decisions of the 27th Party Congress, many business executives who by their position are called upon to solve the problems of restructuring the country's economy and foreign economic ties are now beginning to praise the "successes in additional extraction." Thus, USSR Gosplan Deputy Chairman L. B. Vid communicates to readers in EKONOMICHESKAYA GAZETA (No 37, 1988): "The very important task of raising production was posed to enterprises and associations of the complex (fuel and energy—V. K.). The quotas of the five-year plan are to be surpassed in 1989 by 8 million tons of oil, including gas condensate, 20 billion cubic meters of natural gas and 16 million tons of coal.

"This is making it possible to fortify exports primarily, which must provide the resources for solving a number

of problems, including social ones...." An old, flawed line, surviving from the times of stagnation! And the lead articles of newspapers have once again started containing grating reports and notes "of early fulfillment" and "overfulfillment of the plan" for extraction of oil and gas, for smelting of steel, for procurement of timber and so on.

Could it be that someone wants to accustom us once again to the idea that the more we dig out, pump out, smelt out, cut down, and then export, the better our life is? A dangerous philosophy. And a very viable one! Certain business executives are striving to reinforce this philosophy with their own "homegrown" arguments. Thus Soyuznefteksport All-Union Trade Association chairman V. A. Arutyunyan communicates the following to readers of LITERATURNAYA GAZETA: "We know of the existence of the opinion that oil and petroleum product exports are something close to a strategic error. How, then, do we explain the fact that industrially developed countries such as England and Norway are not experiencing any sort of 'complex' from the fact that they are major suppliers of oil on the world market?"

It is hard to agree with such a statement of the problem. First of all the proportion of oil in the exports of the indicated capitalist countries was and remains at a lower level than in our country. Second, after the "oil shock," they came to understand the danger of an excessive orientation on exports of "black gold." Thus, back since 1982 Norway adopted a course toward leveling out the disproportions in the structure of the national economy, and reducing its dependence on "petrodollars." And third, since when have we started orienting ourselves on the worst models of world practice? Why won't Comrade Arutyunyan cite the experience of a developing country such as Kuwait, which has been pursuing a course toward conscious limitation of oil extraction and exports for many years in order to stretch out the reserves over a maximum length of time. Moreover Kuwait deducts part of its "petrodollars" into a fund for future generations. Now that is truly a farsighted policy, one worthy of imitation!

The "philosophy" defended by comrades Vid, Arutyunyan and the like, that "the more raw materials we export, the better we live," clearly expresses the interests of the administrative-bureaucratic apparatus. This apparatus, you see, favors a kind of "perestroika" which would make it possible to "change without changing anything." Here as well it returns to an old, time-tested trick: solving our economic, social and other problems with hard currency obtained by Soyuznefteksport and other resource-exporting organizations. And this is instead of implementing real, revolutionary perestroika: introducing progressive economic methods, granting real rights to laborers in production control, and unshackling the people's working and creative potential. But such perestroika requires executives to display enviable capabilities and to mobilize all efforts, persistence and, most importantly, courage.

The bureaucracy knows quite well that real perestroyka will unavoidably erode the foundations of its power. To its misfortune, the individual cannot be trained in such a manner that, as Chernyshevskiy noted, he would know how to be energetic in the field and meek in the taskmaster's hut. And so it stakes its future on extraction of minerals from terrestrial subsoil instead of extraction of the energy and talents from the popular subsoil. The emphasis is not on human but on natural resources. Even though the former are more important in the era of the scientific and technical revolution, they are renewable, and most importantly, they can be improved.

It may be argued that I am exaggerating things, that only 3 years have passed since the 27th Party Congress, and that it is supposedly too early to expect any kind of real results from restructuring the economy and foreign trade. Let me be so bold as to disagree with such assertions. The fact is that the raw material orientation of the Soviet economy is being "programmed" many years and decades into the future right before our eyes.

Take for example at least the recently adopted Long-Range State Program for Development of Productive Forces of the Far Eastern Economic Region to the Year 2000. The program calls for a three-time increase in exports from the region. However, this is foreseen chiefly through the sale of oil, gas, coal and timber, and predominantly in unprocessed form at that. It may be hard to believe, but, for example, the volume of exported lumber with respect to unprocessed timber exports will be not more than 10 percent in the year 2000. This program actually legalizes a sell-off of the renewable and nonrenewable resources of an extremely rich part of the country, dooming it to transform into a lunar landscape. This is not to mention the fact that it will promote an increase in the gap between the Soviet Far East and its neighbors—Japan, South Korea and other countries, and transform it into a raw material appendage of the Asia-Pacific region.

Now let's look at the present "boom" in creating joint ventures with the participation of Western companies.

As we know, joint ventures were initially conceived as a way of promoting development of science-intensive industrial sectors, and of producing consumer goods and some forms of services to satisfy our internal demand. However, the impression is evolving today that the process of creating joint ventures is proceeding spontaneously, diverting us away from the main road of development of scientific and technical progress; moreover, it is turning out that Western monopolies, and not our central economic departments (Gosplan, the State Foreign Economic Commission and others) are unfortunately the active parties of this process.

What do our capitalist partners need? John Skinner, director of the international company Business International, talks about this openly: "Western companies interested in creating large joint ventures basically pursue two goals: penetrating into the Soviet market and

processing the natural resources contained therein with the purpose of subsequent export." The orientation on exploiting our natural resources is fully explainable—the price of fuel and raw materials in our internal market, at least today, is 2-2.5 times lower than in the world market. The plans of Western companies to organize processing of these resources on our territory are explainable as well—such processing is classified among the "dirty" production operations. The only thing that is unexplainable is the position of our business leaders, who are opting for such "mutually advantageous cooperation." We need not go far for examples: In March 1988 the USSR Ministry of Petroleum and Gas Industry signed a protocol of intent to create the Tengizpolimer joint venture. The foreign partners include Italy's Eni and Montedison [transliterations] corporations, America's Occidental Petroleum and Japan's Marubeni. Creation of the largest gas and chemical complex in the Eastern Hemisphere at the largest hydrocarbon deposit, comparable with world-famous giants such as Western Siberia's Samotlor or Alaska's Prudhoe Bay, is foreseen. The complex will produce 1 million tons of granulated sulfur, 600,000 tons of polyethylene, 400,000 tons of polypropylene and significant quantities of other plastics annually. There are plans for investing \$6 billion into the enterprise. Exportation of a significant share of the products is foreseen. A. Hammer, chairman of the board of directors of Occidental Petroleum, stated the following at a Moscow press conference in connection with the signing of the protocol: "We are not a benevolent society, but a group of transnational corporations. Our goal is to obtain profit." The question is this: In what way does this "group" plan to obtain profit, if we consider that at the moment the protocol was signed, the demand for the goods which Tengizpolimer is to produce was extremely uncertain on the world market? It may be hypothesized that the group is counting either on cheap raw materials, or on lower nature conservation expenses than in other countries, or on both simultaneously. Obviously under these conditions the vicissitudes of the world market would not be terrifying in any way to the "group of transnational corporations." Capitalist firms clearly want to make money out of the unpardonable pliancy of our bureaucracies.

Another project of similar scale (\$5 billion) is to be implemented on the basis of Tyumen oil and gas deposits. On 1 November 1988 the USSR Ministry of Chemical Industry signed a protocol of intent with Japan's Mitsubishi. It foresees construction of 15 construction and polymer materials plants in Nizhnevartovsk during the 13th and 14th five-year plans. Information exists that our bureaucracies are conducting negotiations with foreign firms with the purpose of signing agreements to create several other giants of similar profile. The joint venture "boom" we are experiencing today may lead to a situation where all of our natural wealth will slip away from our country in the form of semifinished products by as early as the beginning of the next century. It should also be kept in mind that pollution of the environment and other ecological

consequences of the activities of joint ventures will fall upon the shoulders of not the American, Italian or Japanese people, but ours. It is very possible that they will end up with the income, and we will end up with the wastes. Such a policy has been pursued for a long time now by transnational corporations in Third World countries. Judging from everything, our business executives do not want to learn from the mistakes of others.

Let's be candid to the end: The actions of such executives are prodding our country toward its transformation into a most ordinary raw material appendage of industrially developed capitalist countries, together with all of the ensuing consequences: greater economic dependence and loss of real political sovereignty. One need not be clairvoyant to see this: The distressing experience of

developing countries is before our eyes: Rather than making them richer, raw material exports ultimately led them into a real "debtor's pit" (the foreign debt of Third World countries has already attained astronomical figures—\$1.3 trillion).

And so, the economic, ecological, moral and political imperatives are these: decisive rejection of the dangerous principle of "hard currency at any cost" in our economic activities, and immediate cessation of the sell-off of our natural resources.

#### Footnote

1. A report by USSR Minister of Finances B. I. Gostev to a USSR Supreme Soviet session in October 1988.

**U.S., Soviets Seen as 'Natural Partners' in 1990's**

90U103464 Moscow NOVOYE VREMYA in Russian  
No 1, 1 Jan 90 pp 25-26

[Article by Andrey Kortunov, candidate of historical sciences: "Natural Partners, Not Estranged Spouses"]

[Text] It is not difficult to predict the development of Soviet-American relations in 1990. To a considerable extent, this development was predetermined at the Malta meeting and at the talks by the foreign minister and secretary of state. It is clear that the central event of the year will be M.S. Gorbachev's trip to Washington in the beginning of the summer and that the two sides will strive to come to the meeting with the package of agreements and pacts prepared over the last few years.

Few people today would doubt the real possibility of the signing of a treaty on the reduction of USSR and U.S. strategic offensive arms by 50 percent in the middle of this year, although some unsolved problems still exist. I think that the discussion of the treaty in Congress and the Supreme Soviet will be the greatest ordeal for George Bush and for Mikhail Gorbachev. The pending agreement is already the target of pointed criticism, and it will not be that easy to gain approval. The ratification process could be expedited by the parallel commencement of work on the next agreement, which will go further than the treaty and will eliminate many of its shortcomings.

We can also expect changes for the better in the economic sphere in 1990: the repeal (or suspension) of the Jackson-Vanik amendment and the granting of most-favored-nation status to the Soviet Union; it is possible that an intergovernmental trade agreement could be signed at the Washington meeting. In all probability, mutual investment protection will begin to be negotiated and there will be an earnest dialogue on finance, agriculture, small business, economic statistics, environmental protection, and other issues. The United States will aid in the gradual inclusion of the USSR in GATT and other international economic and financial organizations. We can expect the gradual limitation of the "strategic lists" of CoCom [Coordinating Committee for Multilateral Export Control].

Humanitarian contacts will be developed—student exchanges, the organization of exhibits, and interaction by public organizations. The level of Soviet emigration to the United States will remain high (the exact figures will depend primarily on the United States' willingness to accept the Soviet emigrants). Other probable developments are the expansion of consular services in both countries, the improvement of air travel between the two countries, the relaxation of visa requirements, and the mutual reduction of the number of regions in each country closed to citizens of the other country.

Of course, serious problems will still exist. The Malta meeting revealed that the present differences in USSR and U.S. views pertain mainly to the "Third World."

The Soviet role in Central America will still be an extremely disturbing issue for the United States. We can only hope that the upcoming election in Nicaragua will restore everything to its proper place. Besides this, there is still the issue of the political settlement in Afghanistan, on which the Soviet Union and United States still have sharply diverging views. In general, it seems to me, the main issues on which the United States and USSR disagree will have only the slightest connection with bilateral Soviet-American relations in 1990. Possible interventionist actions by the United States, like the recent operation in Panama, will undermine Soviet trust in the Bush administration. On the other hand, any deviation, even if only temporary, from the program of internal reform in the Soviet Union (especially in the political sphere) could arouse American disillusionment and dissatisfaction. This could be reflected in the rhetoric of leaders and in the tone of the news media, but on the level of policy both sides will continue to make every effort to prevent lapses into confrontation. I am not even excluding the possibility that the USSR and the United States will inform one another of foreign and domestic policy plans which might upset the other side in 1990.

It is possible that turbulent events in Europe, especially in the GDR, will give rise to additional difficulties in Soviet-American relations, especially when there is not enough time to make considered decisions.

Therefore, there will be many topics for specific and meaningful Soviet-American dialogue in 1990. Nevertheless, I will be disappointed if this dialogue is reduced to discussions of specific issues. We are witnessing the end of an era in world history—the era of East-West confrontation, the era of the arms race, ideological conflict, and military blocs. We are witnessing the end of the "cold war"—with its system of values and priorities and with its political institutions and security guarantees. What will take the place of the "cold war"? What role will the USSR and the United States play in the new system of world politics? What will "normal" Soviet-American relations signify?

These questions have not been answered yet. Both sides have been too busy clearing the debris of the "cold war" and correcting past mistakes to give any serious thought to the future. Today, however, these questions are a matter of policy. When the leaders of the USSR and the United States address them, if they confine themselves to general declarations as they did in the past, our countries might not be able to keep up with the rapid changes in the world which were initiated largely by their own actions. This failure to keep up has already been observed, at least in Europe.

There are two basic points of view regarding the development of Soviet-American relations after the end of the "cold war." The first is the opinion that we are bound to America primarily by the issues of security, the prevention of nuclear war, and the accomplishment of disarmament, and that the gradual attainment of these objectives

will gradually diminish the significance of bilateral relations—for the United States, for the USSR, and for the rest of the world. Economically, geographically, and historically, the Soviet Union is closer to Europe and even to East Asia than to the United States. The Americans do not have too many "positive" incentives to develop relations with the USSR either. There is the assumption that in the 1990's the two sides will act like estranged spouses who have finally divorced and are eager to take advantage of their regained freedom to broaden their circle of acquaintances. This will also benefit other countries, which will cease to feel as if they have been pushed onto the sidelines of world politics.

The second point of view is the belief that the USSR and the United States will remain "natural partners" in the 1990's after important breakthroughs have been made in disarmament and the consolidation of security. They are drawn together by the very dimensions of the states, by many psychological features of the national character, by increasing pressure from the new "power centers," and by many common economic, social, and cultural problems. The mutual understanding and, if possible, interaction of the two powers will also be extremely important to keep the collapse of the postwar world order from

leading to chaos, estrangement, and dangerous unpredictable repercussions. Here the Soviet Union and the United States have obvious common interests, which are not contrary to the interests of the world community as a whole.

I am personally inclined to agree with the second point of view—not because it reserves a certain status for the USSR in world politics, but because the absence of vigorous Soviet-American interaction could make the 1990's an extremely dangerous and unstable period. It is possible that new, multilateral security structures will take shape by the end of the decade, that the United Nations and other international organizations will play a greater role, and that regional integration will reach a qualitatively new level. For the time being, however, the USSR and the United States cannot give up the responsibility for international instability—there is simply no one else who can assume this responsibility.

In any case, in 1990 the two sides should make the main decisions on their foreign policy priorities. The development of world polities in the last decade of the 20th century will depend largely on the choices they make.

### U.S.-Soviet Joint Venture Reports Profits

90UJ03104 Moscow *IZVESTIYA* in Russian, 23 Jan 90  
Morning Edition p 3

[Article by V. Belikov: "First Year—First Profits; Soviet-American Joint Venture Sums Up Results"]

[Text] The "Perestroyka" Soviet-American joint venture was the first of these firms in our country to report a profit—1.6 million U.S. dollars in the past year.

The announcement was made by the chairman of the board of the joint venture, A. Stroyev, who is also the general director of the Mosinzhstroy Construction and Design Association. The American co-chairman of the board, E. Worsham, the head of a large construction company in Atlanta, was present at the press conference. The conference was scheduled to coincide with the completion of remodeling work and the start of operations in one of the joint venture's first offspring—a seven-story building on Bolshoy Gnezdnikovskiy Lane near Pushkin Square.

This pre-revolutionary building, which was empty for a long time and will now be called Pushkin Plaza, was carefully and meticulously renovated in just 8 months with the use of domestic construction materials. West European rigging, fittings, elevators, and other equipment were used in finishing the premises and equipment.

This will be the location of the Moscow agencies of BASF (FRG), Baker & McKenzie Solicitors (United States), Mitsubishi Heavy Industries (Japan), and other well-known foreign firms. The funds received from future renters financed the necessary construction work and produced a profit. In the past year "Perestroyka" spent over 350,000 dollars on the training of 45 of its Soviet employees in the United States in the latest methods of organizing and managing modern construction.

#### A. Stroyev

Pushkin Plaza is not our only completed project. A short time ago we renovated a trade facility on Gorkiy Street for a cosmetics store of the American Estee Lauder Company. Three more remodeled buildings in the center of Moscow will be ready this year.

In the next 4 years the joint venture plans to renovate several more old structures, which will then be used as office buildings and hotel complexes. Our construction projects include a residential building for the disabled and elderly. I want to assure you that the traditional architectural features of the neighborhood and of the buildings themselves are preserved in their entirety in all "Perestroyka" projects.

Another of the distinctive features of the joint venture is that it does not refuse to consider projected operational volumes, as some of our builders have done; on the contrary, it is happy to consider any new proposals and is actively seeking them! In particular, we can complete the 20-year-old "long-term project" on the corner of

Turgenev Square and Novokirovskiy Prospekt in a year, so that this administrative building can be rented by the Moscow soviet and can generate income for the city budget.

Incidentally, Mosinzhstroy will use its share of the "Perestroyka" profits in hard currency to buy extremely necessary construction equipment and machinery for laying underground pipelines in the city. This large sum in dollars was earned by just 30 employees of the Moscow association, which employs 35,000 people in all.

#### E. Worsham

We are quite pleased with the joint venture's first accomplishments. The field of construction we chose seems exceptionally promising—it has recently been quite difficult for representatives of foreign firms to find the office space they need in Moscow, and the Worsham Group Incorporated has more than 30 years of experience in the construction of administrative buildings, international trade centers, and hotels.

When my American friends and colleagues ask me whether it is possible to do business jointly with Soviet enterprises successfully, I always reply: "Everything depends on the kind of business partner you choose."

My company and I have been very lucky to have Mosinzhstroy and some other organizations in the capital as our associates in "Perestroyka." "Perestroyka" has made a profit in just a year. This corroborates the excellent professional training of all its employees and the efficiency and close interaction of the Soviet and American specialists.

### L. A. Voronin Interviewed on Soviet-French Business Ties

90UJ0282A Moscow *PRAVITELSTVENNYY VESTNIK* in Russian No 26, Dec 89 p 10

[Interview with Lev Alekseyevich Voronin, first deputy chairman of the USSR Council of Ministers and chairman of the Soviet section of the Intergovernmental Soviet-French Commission, conducted by TASS correspondents: "On the Course of Cooperation"]

[Text] On 7-8 December, a large delegation from the national council of French entrepreneurs (Patronat) visited Moscow. This delegation was headed by its president, Francois Perigot. This large organization of French business circles, known under the abbreviated name of "Patronat", unites over 190,000 firms and enterprises. The group of businessmen who came to Moscow included the presidents and general directors of over 50 leading French sectorial federations and firms. Most of them have established or are trying to develop relations with their Soviet partners. It is here that the support of the French firms by Patronat is of decisive importance in a number of cases.

TASS correspondents asked USSR Council of Ministers First Deputy Chairman and Interdepartmental Soviet-French Commission, Soviet Section Chairman Lev Alekseyevich VORONIN to tell about the purpose of the visit by such an impressive delegation, and about the current state of affairs in the trade-economic cooperation between our countries.

[Voronin] First of all, French business people are striving to realize that great potential which was laid down during the high level meeting in Paris in July of this year. At that time, as you may recall, a large number of intergovernmental agreements were signed. These were not only of a general character, but also defined future cooperation in a number of sectors such as space, color television, agriculture, transport, etc. We view the current mission of French business circles as an important step in the realization of the agreements reached in the course of M. S. Gorbachev's visit to France.

French businessmen met with USSR Council of Ministers Deputy Chairmen L. D. Ryabev and I. S. Selayev, and visited over 40 ministries, departments, organizations and enterprises. In the course of these meetings, specific questions of cooperation in various spheres were discussed.

[Correspondent] What is the status of and prospects for Soviet-French relations?

[Voronin] In the past 2 years our commodity turnover reached the level of about 2.8 billion rubles, and in this indicator France is in fourth place among our partners in Europe (after the FRG, Finland and Italy). Unfortunately, over 75 percent of our exports comprise oil, gas and petroleum products. Within the framework of the formulated structure, the reserves for extensive development of foreign trade between our countries have generally been exhausted.

At the present time we must develop a structure of export and import, and improve the qualitative characteristics of cooperation. We have actively begun to assimilate its new forms, such as joint enterprises and consortia, and we are approaching questions of cooperation with third countries and industrial cooperation.

What have Soviet and French organizations been working on recently in order to develop cooperation? First of all, the organizational-legal and finance-credit base is being renovated and adapted to the new conditions, and the appropriate mechanism for this is being created.

In recent months, cooperation in such fields as color television, space, the agro-industrial complex, and railroad transport have obtained new impetus, i.e., the fields in which we have long had good relations. Also, business ties in fields which are comparatively new to us are being stepped up—the preparation of economic cadres, telecommunication, aircraft construction, and joint scientific-technical studies are being organized in a number of spheres.

A broad field for interaction is being opened up in connection with the conversion of the defense industry which we are undertaking, in the sphere of assimilating Soviet scientific-technical developments, in intensifying ties in atomic energy, aviation, and space, in developing our country's natural resources, and in developing ecologically pure and high technology production on USSR territory. The French side has presented an entire set of specific proposals which, it seems, evoke interest in our country. In short, the prospects for Soviet-French cooperation are favorable.

[Correspondent] What new moments have emerged in cooperation with France? Is the attitude of French businessmen changing toward cooperation with their Soviet partners?

[Voronin] It is changing, and significantly, although in their activity they, perhaps, yield somewhat to West German or Italian entrepreneurs.

The change for the better in recent months has been determined primarily by fruitful and active Soviet-French political dialogue.

The number of firms entering into contacts with our enterprises is growing. There is also a growing understanding of the specifics of the situation which is being formed in the period of economic restructuring and in USSR foreign economic ties.

[Correspondent] Today one of the prospective forms of cooperation with foreign partners is the form of joint entrepreneurship. How are matters in this regard with the French firms?

[Voronin] There are 37 Soviet-French joint enterprises registered, with an overall charter fund in excess of 250 million rubles. Even though France yields to a number of countries in the number of such enterprises, yet by the volume of the charter fund and investment of the foreign partners it is in second place after the FRG.

There are 11 enterprises engaged in industrial production. Most of them are still in the stage of formulation. I would like to specify such facilities as "Kanaz" (production of aluminum foil), "Soreal" (cosmetics), "Agroinzhiniring" (processing agricultural raw materials, production of food products and consumer goods).

Active negotiations are being conducted on the creation of more than 30 other joint enterprises.

Consortia have been formed in the USSR and in France. Their primary goal is to aid in the development of joint enterprises. The Soviet consortium includes around 40 enterprises. The creation of consortia must ensure currency self-recovery for the joint enterprises entering into it. Today the consortia are also in the stage of formulation. After they begin their active operation, we hope the role of joint entrepreneurship in Soviet-French cooperation will increase sharply and it will enter a qualitatively new level.

[Correspondent] New political and economic conditions for the development of economic cooperation are being created at the present time. Economic reform is being implemented in the USSR, including also in the sphere of foreign economic contacts. In connection with the unified West European market which is being created, the situation is changing also for France. What can you say as the chairman of the Soviet section of the "Big" commission on developing the mechanism of cooperation?

[Voronin] Serious changes really are taking place. The conditions are changing. The mechanism of cooperation is being developed accordingly. Effective in March of next year, there will not be a "Big" or "Small" commission. A single intergovernmental commission on economic, industrial and scientific-technical cooperation will be created.

The structure of the commission and its working organs will be significantly simplified, and their effectiveness will be increased. The mechanism of cooperation will be brought into correspondence with the new conditions. First of all, it will be aimed at developing business ties at the level of the production enterprises and the scientific organizations, and at encouraging scientific-technical cooperation to grow into industrial-economic cooperation.

The unified intergovernmental organ which is being created is called upon to integrate the interests of the state, the sectors and the enterprises.

**Georgian Foreign Minister on Talks With France**  
*18130034 Tbilisi KOMUNISTI in Georgian.*  
*19 Dec 89 p 3*

[Interview with Georgian SSR Foreign Affairs Minister Giorgi Dzhavakhishvili by Gruzinform correspondent Iuri Goldman: "A Georgian Cultural Center in Paris"]

[Text] A French cultural center will open in Tbilisi, and a Georgian cultural center will open in Paris. This decision was made in France during a visit by a Georgian SSR government delegation, which was in that country by invitation of French business circles. The delegation included Georgian SSR Foreign Affairs Minister Giorgi Dzhavakhishvili, Finance Minister Demur Dvalishvili, First Deputy Minister of Automotive Transport and Highways Aleksandre Chkheidze, Deputy Business Manager of the Georgian Council of Ministers Dzhuansher Kvaratskhelia, and Georgian Foreign Affairs Minister official Kote Gedevanishvili. Giorgi Dzhavakhishvili, the head of the delegation, was interviewed by Gruzinform correspondent Iuri Goldman.

[Goldman] To my knowledge, this is the first governmental delegation from our republic to visit France in order to establish direct relations....

[Dzhavakhishvili] Yes, you are correct. I must say, we have been received most warmly and cordially not only

by France's business circles but also by officials and the public at large. The importance they ascribe to the Georgian delegation's visit to France is attested by the fact that, despite the unofficial nature of the visit, its itinerary was approved [korrektirovan] by the Foreign Affairs Ministry of the French Republic.

Members of the delegation met with French State Secretary Pierre de Bosset, Tourism Minister Olivier Stirn, Foreign Trade Minister Jean Marie Roche, officials of ministries and departments, and directors of France's biggest banks and companies.

The arrangement of this trip was greatly aided by Roger Godineau, the economic adviser to the French Prime Minister.

I should also like to note that a major role in preparing for the visit was played by our own countrymen: the well known diplomat and banker Claude Kemularia, businessman Givi Zaldastanishvili, SBS Deputy General Director Michel Meliava, and Amis Corporation General Director Daniel Sibashvili.

[Goldman] What will be the functions of the culture centers?

[Dzhavakhishvili] They are designed to coordinate cultural and humanities relations between Georgia and France. Their first event will be a French arts week in Tbilisi and a Georgian arts week in Paris, scheduled for the spring of next year. Negotiations are underway to arrange exhibits of Pirosmani and Rousseau in France and Georgia. It is scheduled for 1991. Naturally, the functions of the two centers will not be confined to exhibits. They will deal with all kinds of things.

[Goldman] During the negotiations did you touch upon questions of economic and trade cooperation?

[Dzhavakhishvili] During the meetings and discussions substantial time was devoted to a joint association for economic development. It is anticipated that the association will include some of France's biggest firms, which will assist in the development of the republic's highest-priority economic sectors. The association will have headquarters in both Tbilisi and Paris. It will help organizations and enterprises to find trading partners and establish business contacts. It is designed to promote the creation of joint enterprises. I should tell you that joint French-Georgian enterprises will be formed under the aegis of the association and on its recommendations. The association will manage economic relations not only between Georgia and France but also between our republic and other countries of Western Europe. This will be facilitated by the fact that in Vienna recently, Georgia was the first of the Soviet Union's republics to be accepted as an associate member of the Assembly of European Regions.

Tentative agreement has been reached on having Georgian specialists study in France's leading universities and scientific centers. Persons sent there to study will be

mostly economists, managers [menedzhery], and jurists—in other words, specialists in international economics and international juridical relations. The fact is that if we do not know current conditions in the foreign markets, processes taking place in the economies of the Western countries, we will be unable to develop foreign economic ties, make commercial deals, or draw up proper agreements for the formation of joint enterprises, and so on.

In conclusion, let me emphasize that we had perfect agreement at all levels in France. Everyone we met in Paris—and there were about ten such meetings every day—stated that they are ready to expand mutually beneficial contacts with Georgia in all sectors and provide us with economic aid in realizing our republic's sovereignty.

#### **'Common European Home' Policy Deemed 'Inadequate'**

18120035 Moscow NEW TIMES in English No 51,  
19-25 Dec 89 p 19

[Article by Andrei Kortunov: "European Policy Revived"]

[Text] The Kiev meeting between Gorbachev and Mitterrand was less spectacular than the preceding American-Soviet summit in the Mediterranean.

Both meetings were, as it were, links in a single chain of historical events. The first meeting wound up the chronicle of the cold war, and second marked the beginning of a new European policy.

The new European policy is in a sense a revival of the classic policy of the European powers, leaving room for manoeuvre, tactical and strategic alliances, regrouping of every kind, improvisation and the display of diplomatic skill. Since the end of the Second World War, there has been no European policy as such. It was replaced by total confrontation between East and West. Today European policy is being revived, bringing with it unprecedented opportunities and dangers that in the past seemed fairly remote.

It is a moot point whether the American or the European direction of its foreign policy is more important to the Soviet Union. In any case, the European direction is more complicated than the American, for the situation on the continent is less certain and predictable, with more parties involved and less stability. Various options are possible here, and both strategy and tactics are important. Nuances and shades should be taken into account. Therefore the Kiev meeting was in no sense a supplement to the Mediterranean summit. On the contrary, it required a greater exertion of energy on the part of Gorbachev.

The Kiev meeting gave a new impulse to Franco-Soviet relations. But its importance is not limited to this, for Mitterrand came to the Soviet Union not only as French

President, but also as President of the European Community. With every year the EC is becoming an increasingly tangible factor in European and world affairs. The future of Europe seems to be inseparable from the development of the community.

Two tendencies are clearly discernible here. The first envisages in-depth integration of the EC countries, embracing not only the economic, but also the political and even the military spheres. This is the direction favoured by Mitterrand. It provides for a sort of rigid West European framework with no new members such as Austria, Finland or some East European countries to be admitted in the near future. Eastern Europe will remain outside the EC, though all-European cooperation is not to be ruled out.

The second direction, associated with Hans-Dietrich Genscher, envisages an expansion of the community. Integration is confined mainly to the economic sphere, without increasing efforts in the military and political spheres. Not only neutral, but also East European countries—the German Democratic Republic, Poland, Hungary and possibly Czechoslovakia—become potential members of the European Community.

At the Kiev meeting, the Soviet leader did not give obvious preference to any of the options. First of all, the future of the EC should be decided by the West Europeans themselves. Secondly, a clearly stated position would inevitably limit freedom of manoeuvre in Soviet policy. At the same time, it is extremely important to determine what the practical implementation of one or other scheme will mean for the Soviet Union's interests.

The implementation of either scheme involves a certain price for our country. If integration takes the "French course," the Soviet Union, together with the East European countries, may find itself outside the European integration process. After 1992 it will simply be excluded from European policy and economic, scientific and technological cooperation. The Soviet Union and the East European countries will be unable to benefit from perestroika and democratization for a long time, and credits and aid will ultimately be stopped. The eastern part of the continent may become a seat of chronic instability and economic troubles.

If integration takes the "West German course," the Council for Mutual Economic Assistance and possibly the Warsaw Treaty Organization may run the risk of rapid disintegration. The East European states will compete violently for preferential terms of inclusion in the West European economic system. Cooperation between the East European states and their cooperation with the Soviet Union will break down. As a result, the whole of Eastern Europe will become a zone of economic and political influence—not of the EC as a whole—but of the Federal Republic of Germany.

It can of course be said that Moscow has its own alternative, namely, the idea of a common European

home. The four years since that alternative was proclaimed have, however, shown it to be good as an ideal to strive for, but clearly inadequate as a practical policy designed to tackle immediate urgent problems. The idea of a common European home cannot replace the search for a real political course in Europe.

Whatever the choice between the two possible courses of European development, the Soviet Union's political influence on the continent is bound to reduce. This will be a consequence of two factors: the process of ending bipolar confrontation on the continent (in this sense the United States' position in Europe will not remain unchanged either) and the Soviet Union's increasing economic, scientific and technological lag behind the West European countries.

Nevertheless, it is necessary to make a choice, though not a categorical one, for even if it ceases to be a "super-power," our country will be able to remain a fully fledged participant in European policy, as it has been over the last three centuries at least.

### Turkey Said to Seek Rebirth of Ottoman Empire

90UI02724 Yerevan KOMMUNIST in Russian,  
17 Dec 89 p 3

[Article by Candidate of Historical Sciences Dimitr Vandov: "Neo-Ottomanism in the Modern World"]

[Text] The leaders of modern Turkey are captivated by dangerous ideas threatening both the Muslim and the European world. Consider at least the ideas of pan-Turkism. These people are unable to forget the might of the Ottoman Empire, and even considering modern international relations they unrealistically dream of its resurrection, in view of which they proclaim themselves to be the protectors of just about all Muslims. Poisoned by religious fanaticism, nationalism and pan-Turkism, they dream of a "Turkish fatherland," which includes, according to their plans, part of the territories and population of a number of countries. Such ideas are encountered very often in modern Turkish scientific and political literature.

These ideas also inspire politicians. For example not that long ago, Social-Democratic Party chairman Byulent Edzhevit proposed creating a "Ministry of Turks Residing Abroad" in Turkey. He asserts that 110 million Turks, "deprived of the most ordinary human rights, and enslaved," live outside the country. Edzhevit goes on to assert that there are many motives for creating such a ministry.

It should be noted, however, that it was as prime minister that Byulent Edzhevit adopted the decision to land Turkish troops on Cyprus in 1974.

Such are the facts, from which we can make this conclusion: This is nothing other than NEO-OTTOMANISM, something dangerous to mankind. It is a dream of rebirth

of the Ottoman Empire on three continents at the expense of all neighboring and nearby countries and peoples.

In our days, Turkey is making territorial claims in relation to our country. Such claims are not at all an isolated case. Turkish rulers have even appropriated the right to assert that Bulgarians, Greeks and other Muslims are Turks, and that the lands which they populate are Turkish. During the Iran-Iraq war, Turks were prepared to occupy a sizable part of Iraq—including the oil-bearing regions near Kirkuk and Mosul, which they assert are also Turkish.

In 1974, Turkish troops brazenly invaded the territory of the independent Cypriot state and occupied the northern part of the island. The local Greek population was subjected to physical annihilation. As early as in the first days of the occupation Turkey began seeking a means of establishing a Turkish state on foreign soil. Ultimately the "Turkish Federated State of Cyprus" was created on 13 February 1975, and 8 years later, on 15 November 1983, explaining their actions "by the obstinacy and reluctance" of Greek Cypriots to negotiate, Turkish Cypriots unilaterally proclaimed the "Turkish Republic of Northern Cyprus" at the direction of the Turkish government. Sixty-five thousand Turks have been resettled from Turkey to the northern part of the island thus far. Together with the occupying troops, the number of immigrants exceeds the number of Turkish Cypriots. These actions quite obviously attest to the fact that Turkey has no intention of removing its occupation forces from Cyprus—it has resolved to keep Northern Cyprus as one of its own vilayets. In addition we know of Turkish territorial claims upon Greece's Dodecanese Islands and the Greek continental shelf.

During their brazen invasion of Cyprus in 1974, Turks killed 6,000 Greek Cypriots, while 2,000 disappeared without a trace. They occupied 37 percent of the island territory, even though the Turkish population is but 12 percent of its inhabitants. Over 200,000 Greek Cypriots were evicted from their homes.

Especially indicative is the fact that Rauf Denktash, the self-proclaimed president, proposed bringing 35,000 Bulgarian Muslims onto occupied territory in the city of Famagusta. This is additional evidence that Turkey has not the least intention of leaving Cyprus.

And even with all of this, the Turkish state proclaims itself to be democratic and peace-loving, a proponent of human rights.

't would be sufficient however to take just a quick glance at the constitution of modern Turkey: It is written at the very beginning of this document that only Turks live in Turkey. Thus 25 percent of the country's population representing minorities residing in the country's territory are deprived of elementary rights and freedoms. Just Kurds alone make up 20 percent of the country's population.

It is evident from the articles of the constitution of the Turkish republic that the country's reactionary circles reject the existence of 12 million Kurds. They are deprived of the most elementary human rights and freedoms. As in the era of the Ottoman Empire, today Turkish governing circles are persistently pursuing a brutal policy of genocide against the Kurdish people. Kurds are deprived of the right to speak their native language, their national culture is being devastated, and their monuments are being destroyed. The eastern regions of Turkey have transformed into a real hell for the Kurds. They do not even have the right to call themselves Kurds. Inhumane repressions and humiliations are heaped upon them daily. Anyone who dares to call himself a Kurd or to speak his native language is accused of betraying the fatherland and is brutally persecuted. Martial law is very often introduced in the country's eastern regions. Martial law was declared on 12 September 1980, and it has still not been repealed. These regions are essentially the site of a real civil war. The Turkish police and army conduct actions against the Kurdish population daily, killing Kurdish patriots without trial and investigation. The number of victims among arrested Kurds is exceptionally large: They die during interrogation, unable to endure the atrocious tortures. Turks have attained high qualifications in this respect. And recently they have begun employing modern American methods of interrogation as well.

Great is the number of Turkish patriots up before military courts and among persons convicted by Turkish state security. Hundreds of mass trials were conducted just in the last 9 years. As a rule these trials end with 20-25 death sentences and as many life sentences. For example in just a single trial on 6 February 1988, the Turkish military court sentenced 20 Kurdish patriots to death, 30 to life imprisonment and 71 to a term of confinement of 24 years; the cases of another 20 defendants were postponed for subsequent examination. Hundreds of such mass trials have been held in the country. The only thing that these victims were guilty of was fighting for elementary human rights and freedoms.

Such are the facts, attesting to the brutal genocide being waged by the Turkish ruling elite against the peace-loving and heroic Turkish people, who have been victimized in the thousands.

But it should be recognized that genocide is not something new in Turkish policy. Over a period of the last five or six centuries the Ottoman Empire destroyed masses of enslaved Muslim and Slavic peoples. The situation of Armenian, Kurdish, Greek and Bulgarian peoples has been especially difficult. World public opinion was disturbed by the unprecedented slaughter of Armenians in 1915-1916, when the government of the Young Turks killed 1,500,000 persons within a brief period in order to gain their lands, which totaled around 175,000 square kilometers. Despite the fact that this is known to the entire world, and that it is irrefutably confirmed by documents in the archives of many countries, to this day

Turkish pseudohistorians and state officials are continuing their attempts to distort the truth and deny the death of a million and a half Armenians by Turkish yataghan in 1915. The criminal operation was led by the Young Turks and personally by Minister of Internal Affairs Talat-Pasha. Reactionary Turkish circles have forgotten that together with the Imperial Triumvirate—Talat-Pasha, Enver-Pasha and Cemal-Pasha, the Young Turks were tried by an extraordinary military tribunal in Istanbul. One of the charges was mass murder of Armenians.

Turgut Ozal categorically denies the Armenian genocide, though many confirming documents have become widely known—for example an order of Minister of Internal Affairs Talat-Pasha in 1915, which declares: "The government has decided to completely destroy the Armenian population residing in Turkey. No matter how brutal the measures may be, we must put an end to the existence of the Armenians. There should be no distinctions made in regard to age and sex, there should not be any mercy displayed toward women, children and invalids, and there need not be choices made in the means of annihilation. There need not be any remorse of conscience."

Even Turkey's NATO allies are disturbed by the fact that Turkey does not admit to the obvious and universally known fact of Armenian genocide.

A mass rebellion against the Ottoman Empire in the 1890s in Trabzon, Erzurum, Maras, Sebestin, Erzin, Van, Kharbert, Diyarbakir and elsewhere became an opportune excuse for mass genocide of enslaved peoples.

Our people rebelled 40 times against the Ottoman Empire during five centuries of enslavement, and each rebellion evoked mass slaughter of Bulgarians.

The April rebellion of 1876, which was sparked in enslaved Bulgaria, also became an excuse for merciless extermination of the population. In those days, 4,000 persons were killed just in the Bulgarian Rodopi village of Batak. Half of them were hacked with yataghans and axes in the village church, where the defenseless population sought shelter. This fact has been confirmed by absolutely irrefutable documents. All of the world public protested against the brutality of the Turks.

In the modern political situation, rather than admitting to and burying the policy of genocide it pursued for centuries, Turkey is trying to distort and deny the existing historical facts in every way possible.

Nor would it be superfluous to note the fact that just since the time of the last military coup in Turkey (12 September 1980) and until the present day, 600,000 persons have been arrested and tried in Turkey. Of them, 200,000 are serving prison terms. More than 1,500 persons were sentenced to capital punishment. Seven hundred of them are awaiting their sentences. Around 300 persons were killed without trial by torture during

interrogation. These days, Turks are killing 10-15 persons daily in Eastern Anatolia, where a civil war against the Kurds is under way. These people are guilty simply of being Kurds.

Even in the face of all of these facts, Turkish diplomacy is striving to represent its country as peace-loving and democratic. Moreover it has usurped the right to treat Muslims in other countries as Turks and demagogically "defend their rights." This is impermissible activity, and it is gross interference into the internal affairs of sovereign states.

### Swedish 'Secret Police Service' Profiled

90UI0268A Moscow EKHO PLANETY in Russian No 50, 9-15 Dec 89 pp 26-31

[Article by Nikolay Vukolov: "Secret Police: The Swedish Variant"]

[Text] What do you know about Sweden's special service, the SAPO? I could say without risk of error—nothing, or almost nothing. Even today, in a time when Sweden's political and socioeconomic experience is being illuminated in rather great detail by our press, not much is being written on such topics. You would be right to ask: Need we even discuss this side of life at all? I am certain that the answer is yes. First of all, elementary objectivity requires this, and secondly, a "selective" view inevitably carries the danger of one-sidedness, and distorts the overall picture.

The doorbell of TASS's Stockholm office rang one fall evening in 1985. The visitor unleashed a tirade, jerking his head to and fro. His large head was shaved right down to the roots, making his huge ears stick out even more. "Don't worry," he exclaimed, interspersing Russian words with Swedish, "I didn't come here to make trouble. But those scoundrels simply threw me out into the street!" the visitor shouted indignantly, gesticulating and shaking some sort of book. I had seen this short, heavyset person of 40 years before. Claiming to be the grandson of a Russian general, by the name of Shkuro or something like that, he could be encountered at various functions in Stockholm, almost everywhere Soviet people might be found. But his tendency to exaggerate his "ties with Russia" and his rash behavior evoked no sympathy toward him, frankly speaking. "You know, I speak a little Russian," he reminded us, "and this time I'm asking for your help. I, an honest person, was fired for not letting these prostitutes through (here our general's scion used a stronger word, demonstrating his knowledge of the deepest layers of Russian language) together with some Americans. Whatever happened to justice!?"

It became clear from the subsequent monologue that he had been employed as doorkeeper in the fashionable Sheraton Hotel in the center of the Swedish capital. And on one occasion he barred entry to Americans residing in the hotel and traveling in the company of "loose women," which is why he was fired by the hotel owner. In his words, however, he had acted in accordance with

instructions, and therefore he viewed the incident as a violation of his rights. "Your press writes many things about violations of human rights in the West," the visitor noted, showing himself to be highly informed. "So now, write about my case. All the more so because the local newspapers aren't showing any interest."

I must admit that I wasn't all that impressed about this case. Nonetheless I asked him why the newspapermen were so indifferent. "What it all comes down to is that the SAPO has the owner of the Sheraton on a leash." The general's heir went on to present a confused story about how he had once "annoyed" the security police, which supposedly had a "grudge" against him, and that the incident with the Americans was just an excuse to get rid of him. All of it was in fact an intrigue by the SAPO. "And the newspapers naturally don't want to get involved in something the SAPO is into. But I know what sort of work it does. Here, read this," he said, extending the book to me.

When the door finally slammed shut behind the visitor I decided that this whole story was just a bluff. But I opened the book anyway. And I was not sorry that I did.... It had an intriguing title: "Permanent Conspiracy. Surveillance and Manipulation of Public Opinion." The authors—K. G. Keler and B. Moelv—gathered some interesting material, primarily on the Swedish special service, the SAPO. I knew of its existence, of course, from articles published in Swedish newspapers. Many of them were written by Dennis Tellborg, a lawyer at Goteborg University studying the methods of the SAPO's work. According to the lawyer's data, each year the department responds to 100,000 enquiries concerning the political loyalty of Swedish citizens. This is being done in spite of assurances by politicians that nothing of this sort could even happen in Sweden. There are many confirmations of statements by the Swedish officials that Sweden is a model of Western democracy, a country in which human rights and freedoms are organically interwoven in the fabric of social life. But these assertions have been refuted by the activities of the special service, since how can democracy be reconciled with the practice of persecution for one's views and convictions?

Understandably, every state is entitled to possess organs standing guard over its interests—this is one of the main functions of SAPO, which is called upon "to expose and prevent crimes against state security." But where is the line beyond which actions begin to harbor such a threat? Moreover, I was simply interested in finding out when the need for such an organization arose in Sweden.

State security police appeared in Sweden back in 1939. This was the origin of the present SAPO. From 1941 to 1945 this service opened and read around 40 million private letters and eaves-dropped on 10 million telephone conversations, and by the end of the war its lists contained the names of tens of thousands of communists, many of whom wound up in prison camp. Yes, in 1940, under pressure from internal reaction, Parliament

adopted an extraordinary law creating "working companies"—internment camps. Communists, communist sympathizers, antifascists and those who fought earlier in international brigades in Spain ended up in these camps. A total of around 3,000 persons, according to a report from the Swedish telegraph bureau (TT).

I once interviewed Yon Takman, a communist known not just in Sweden alone. This intelligent, charming man recalled preparations for the famous Stockholm demonstration against the atomic bomb, with his active participation. Takman suddenly said: "You know, I was on the Gestapo's condemned list." During the war, in his words, life for people with democratic views was not easy, even for those who did not end up in the "companies."

Everything now came together. It was even emphasized in the book, after all, that the security police maintained contact with the Gestapo, meaning that it would be logical to suppose that it furnished the state secret police of the Third Reich with lists of "unreliable" Swedes. It would be easy to imagine their fate, had the Wehrmacht implemented its plan for occupying Sweden! Extraordinary measures are of course explainable in wartime. And yet, repressions "just in case" against one's own citizens could hardly be justified, even with the excuse of desiring "to stay out of the war."

The names of Swedes are entered on "black lists" contrary to a decree adopted by the Riksdag in 1968 prohibiting creation of files on citizens for their political views. This decision was preceded by a scandal that erupted in the mid-1960s, in which the activities of Sweden's secret intelligence service, the Information Bureau (IB), which was involved in political surveillance, were exposed. In October 1983 former Swedish Chancellor of Justice I. Gyulnes [transliteration] reported on the pages of DAGENS NYUKHETER [transliteration] that this service had been sending agents into trade unions and enterprises. But the secret was now out, the bureau was prohibited from involving itself in internal political problems, and later on it was reorganized.

Police lists were not destroyed, and the functions of the bureau were transferred to the SAPO, which "received a clear directive to register persons who might behave unreliably when a crisis or a crisis situation arises." Ultimately the names of 200,000-300,000 Swedes wound up on the police lists.

Even the now-deceased country's prime minister, Olof Palme, fell into the SAPO net, as was reported by former chief of the information department of the country's state police K. Falkenstam [transliteration], the author of the book "The Policemen's War," published in 1983. As it turns out, Palme was under close scrutiny by the SAPO for several years as "an overly radical person." Moreover the security service took steps to limit Palme's access to secret information, fearing that secrets might fall into the hands of representatives of other countries.

Palme's participation in a mass demonstration in Stockholm on 21 February 1968, in which he spoke against the

USA's war in Vietnam while serving as minister of education and church affairs, served as the excuse for the surveillance. His speech irritated official Washington, and President Lyndon Johnson even recalled the American ambassador from Stockholm—"for consultation." Later the American CIA sent an agent to the Swedish capital—a former classmate of Palme's in Kenyon College. His instructions were "to clarify Sweden's position through contacts with both Palme himself and his acquaintances." The resulting sensation motivated Palme to declare in mid-September 1983: "I have always known that the SAPO saw me as a person capable of damaging state security. There is no need to refute the absurdity of such conclusions.... It is totally impermissible for the SAPO to become a state within a state, and act in accordance with its own laws."

In the meantime if the leader of the Social Democrats were to have complained to someone about the SAPO's actions, it would more likely have been to his own party, which had a part in the creation of the special service.

This was revealed somewhat unexpectedly. When the SAPO began surveillance on Palme, P.-G. Vinge [transliteration] was the service chief. In one meeting he reported his suspicions concerning Palme to the SAPO department chief of Norrbottens Lan and member of Sweden's Social Democratic Labour Party (SDLP), G. Vuopio [transliteration]. It was through him that the government learned of this. As a result L. Geyer [transliteration], who was the minister of justice at that time, told Vinge in December 1969 that his presence at the post of SAPO chief was no longer desirable. Vinge retaliated by making public facts according to which the Information Bureau, mentioned above, was used by the Cabinet and the SDLP for their own political purposes. This was also the topic of discussion in February 1988 in Swedish radio's most popular program, "Kanalén," which confirmed that back in the 1940s, surveillance of citizens was carried on at the instructions of the leadership of the SDLP and Sweden's Central Association of Trade Unions; moreover the entire system of political surveillance, which in the opinion of the newspaper NORSHENSLAMMEN [transliteration] became especially strong during the cold war, came into being after former Prime Minister T. Erlander came into power.

"The Social Democrats," declared on this account Lars Verner [transliteration], chairman of the Leftist Party—the communists, "have had two dark moments in history. Communists and persons with progressive views were sent to prison camp during the war on the basis of their lists. Registration of 'dissidents' continued even into the postwar years." Incidentally, even after the decision prohibiting such practices was adopted, in 1969 the Riksdag adopted the special "Decree on Control of White Collar Workers." It spelled out the manner in which such control was to be effected (the necessity itself of such control was not rejected).

But as was written last year in DAGENS NYUKHETER, this decree contained a "secret section"

listing parties and trade unions having members that needed to be registered. According to that same Tellborg, files were created on 200,000 Swedes whose views were characterized as leftist. But "watching" over the inhabitants of its own country, over "internal enemies," was not all that the special service did.

No one would have thought that the small, dimly sparkling gilded hall in the old Swedish Royal Opera House could serve as the "classroom" for SAPO agents. But so it is!

"Take for example Puccini's 'Tosca.' This is, after all, a police opera about abuses of power, and there are many things that we can learn from it. We also study the espionage methods of the times of King Gustav III. They have not changed very much since then." That is how B. G. Andersson, one of the department's officials, openly described the training of SAPO colleagues to a DAGENS NYUKHETER correspondent. One could of course debate such an interpretation of the famous Italian's creation. But the example clearly illustrates the changes in SAPO's personnel policy in the 1980s. The organization has grown younger, and it now employs lawyers, social scientists, and engineers in electronics and computer technology.

Personnel are acquired by hiring analysts for work in the SAPO secretariat. The usual progression is university courses, the Higher Police School, and then the SAPO. "We try to select the best, those who are highly intelligent and have good facility with languages," said one of the executives of the personnel recruiting department.

It seems that the laurels of Mata Hari are giving no rest to the Swedes either. Many women have recently joined various departments of the service; they have "promoted creation of a more harmonious working climate, and have proven themselves to be valuable associates."

The personal qualities of the novice are carefully assessed at the time of hiring. Excessive zeal, bad habits, debts, a predilection for alcohol—any of this is enough to shut the door. The files of the SAPO itself are used to check up on new applicants and reveal their possible contacts with extremist circles or foreign intelligence services. The names of all associates are kept secret, with the exception of those of the highest ranks. Study of history, philosophy, politics, religious doctrines and many other things is the foundation upon which educated professionals with flexible thinking and a broad philosophy are prepared in the bowels of the SAPO.

When asked to illustrate the nature of activities using a typical work day as an example, a certain SAPO chief noted: "Then we conducted a deep discussion on the latest events in the Soviet Union, and chiefly on the role of Boris Yeltsin, and his open debates with party leader Gorbachev."

The building occupied by the country's State Police is located in the capital district of Kungsholmen. Four of its stories are the private domain of the SAPO, which in the course of its 50-year history "was surrounded by a secret, closed world, knowledge of which was precluded." But

times are changing, and in the 1980s, in the words of DAGENS NYUKHETER, the organization's leadership has begun "striving for greater openness." The mass media are receiving greater opportunities for writing about the service. As is clear from reports carried by this largest newspaper, the SAPO has undergone reorganization, and now there are four directorates operating within it: administrative, operations, secretariat and security service. The functions of the secretariat (or "Enkhet B" in Swedish) include analyzing information, maintaining contacts with the defense headquarters and its intelligence service, and exchanging information with foreign security services.

Counteracting terrorism, maintaining secrecy in defense industry and monitoring civilians are all within the responsibility of associates of the security service ("Enkhet D"). The operations directorate ("Enkhet C") plays the most important role; it is responsible for counterintelligence, intelligence and the problem of fighting against extremists. The section involved in counterintelligence is the most secret. This is the domain of the "Russian section," which conducts "around-the-clock observation of Soviet intelligence officers in the country." This section is the principal "client" of the intelligence section, within which tape recorders connected to telephone cables are constantly running, and skilled translators analyze the recordings. How many of them are there?

Quite a few, apparently. After all, the SAPO regularly taps the telephones of the embassies of the USSR and other socialist countries in the Swedish capital. Why? "Despite the political course of freedom from alliances," writes DAGENS NYUKHETER, "the security police conduct counterespionage primarily against countries of the Warsaw Pact. This is explained by, among other things, the geographic proximity of a superpower—the Soviet Union. Even the Swedish military are prepared to attack primarily toward the east...."

It seems that the thinking in the offices of the SAPO is still following the same old stereotypes: Yes, warming of the international climate and establishment of greater trust between states is all well and good, and may politics continue on in the same spirit. But we need to keep our ears sharp, and not give in to excessive euphoria. The number of Soviet diplomats and associates of other institutions of socialist countries who left Sweden in various years on suspicion of espionage is offered as a great success: The assets allocated from the state budget—around 200 million kronas—have to be justified somehow, after all.

And what about political games, and the SAPO's role in them? I remember in the early 1980s, when after a certain incident with a Soviet submarine, which strayed off course in poor visibility and ran aground on the east coast of Sweden, relations between the two countries were extremely tense. This was despite the fact that the Soviet side offered its apologies to the Swedes for this unintentional and unfortunate incident. But it was immediately followed by a rain of "exposés," and in

response to the SAPO's serve, official Swedish authorities were compelled to make categorical decisions.

In late August of this year another "sensation" took the Swedes by storm: It was intimated that the Soviet Union had a part in Palme's assassination! The SAPO, the newspapers reported, had been engaged in some "bugging": Using microphones, it eaves-dropped for a period of 2 years—until fall 1987—on the apartment of a Soviet diplomat and tape-recorded the conversations. The translator who analyzed them stumbled upon "a new trail" in the investigation of the assassination. By the way, the service's agents who attentively studied the recording came to a less sensational conclusion: Soviet authorities were not involved in the assassination—they only supposedly knew of its plans.

"An idle fabrication which no one will believe"—such was the sense of the editorials of the leading Swedish newspapers. Former SAPO operations directorate chief P. G. Ness [transliteration] preferred not to inform the government about the eaves-dropping information. He felt it to be innocuous, and he did not wish to expose the activities of the special service. But this official could not have predicted the subsequent course of events: It was difficult to guess that in spring of that year the work of the eaves-dropping service would be placed under specific investigation under the leadership of General Prosecutor Ya. Danielsson [transliteration].

The investigation was ordered in connection with the fact that many of the country's prominent politicians had become the object of illegal surveillance. First Minister of Foreign Affairs S. Andersson reported his discovery of attempts to listen in on his telephone conversations. The minister did of course avoid open reproaches toward the SAPO: "I know that my telephone was tapped, but I can't say when and by whom." It was then that Arne Eriksson [transliteration], a former worker of the the SDLP staff, declared in an interview with AFTONBLADET [transliteration] that he had possession of a shorthand transcript of one of Andersson's conversations, prepared by SAPO agents on the basis of information obtained by eavesdropping in the early 1970s, when the former was the secretary of the Social Democratic Labour Party. The resulting sensation was something else. And DAGENS NYUKHETER published an article titled "Two Forms of Telephone Eaves-Dropping—Legal and Illegal" providing diagrams of all kinds of technical devices—tape recorders, microphones, "bugs," and so on. In a word, these were detailed instructions on eaves-dropping, in which it was explained in particular that such eaves-dropping was legal.

And legal is what it is felt to be, when "the police are behind it." According to the law, a subject of eavesdropping must be suspected of a crime punishable by imprisonment for a minimum of 2 years. It requires a decision of the court, and it may be carried on for a maximum of a week. However, when the case involves drug smuggling (this is a grave crime), the term may be lengthened to a month. As an exception the court may grant permission to eaves-drop on suspicion of minor

crimes, and when cases having "especially importance and significance" are involved, the prosecutor and the police are entitled to make the decision to eaves-drop on their own.

The law is the law, but what sort of law is it when Swedes must live with the knowledge that at any moment the content of their conversations might become the property of an intruder's ear? This is, after all, an invasion of private life, and a transgression upon the rights of citizens, even if this is done on a formally legal basis. As far as "bugging"—eaves-dropping with microphones—is concerned, this method, notes DAGENS NYUKHETER, "is in principle prohibited in Sweden." After all, in order to install microphones and a transmitter, either someone would first have to enter the suspect's room, and this itself is incompatible with the law, or microphones would have to be installed in a neighboring apartment—of course this would require conspiring with the neighbors, and paying them. One thing is undebatable: If "bugging" of Swedes is an internal matter of the country, eaves-dropping on foreign diplomatic representatives is a violation of international rules, and particularly of the Vienna convention on diplomatic relations adopted in 1961. And it is officially recognized by Swedish representatives.

Thus it seems that the "issue of the Soviet diplomat" was a special case. Why was it necessary to suggest that "the USSR was aware" of the plans for Palme's assassination, and who was behind this suggestion? The answer to this question is obvious: On the background of the debate concerning eaves-dropping, any excuse, even the most improbable, was needed to justify the SAPO's illegal actions.

The authorities found themselves in a delicate situation. It had to be a joke: Here is Sweden, a country which zealously defends the inviolability of international rules and regulations, and now we have this! By the way, this is not the first time that the interests of the authorities and the security service have been in conflict in recent times.

An unofficial investigation of the assassination of O. Palme undertaken by Ebbe Karlsson [transliteration] and sanctioned by former minister of justice A. G. Leyon [transliteration] also served as evidence of the displeasure of the Social Democratic cabinet.

The publisher, who was close to Social Democratic circles, pointed to a number of factors as motives for his actions: Despite the fact that the SAPO was aware of threats against Palme, its associates did not take effective steps to ensure the premier's security, and after the assassination they hindered the work of investigators searching for the assassin. But the independent investigation begun by the publisher took an interesting turn that was a surprise to the government. Illegal actions by E. Karlsson's assistant assumed scandalous proportion (incidentally, he was formerly a personal bodyguard of Commissar Kh. Kholmer [transliteration], a former SAPO chief who had initially led the investigation of Palme's assassination). This person was detained by customs officials on the Swedish border in

the city of Helsingborg attempting to bring modern eavesdropping equipment into the country from Denmark. It was intimated, by the way, that customs officials had been tipped off by the SAPO.

It was revealed in passing that when E. Karlsson visited the British Isles, he carried with him a letter of introduction from the minister of justice, which he intended to use in London to obtain information on British secret services. The opposition parties deemed all of these actions to be incompatible with the laws of the country, and ultimately Karlsson was forced into retirement. The Riksdag's constitutional commission conducted a hearing which developed into another duel between the government and the SAPO. Representatives of the bourgeois opposition did everything they could to incite passion, and defended the SAPO.

How can we not recall at this point Palme's warning that it would be impermissible for the SAPO to transform into "a state within a state"?

It is no accident that upon returning to power in 1982, after 16 years in the opposition, the Social Democrats immediately demanded that the chief of the political department of the country's Ministry of Internal Affairs must participate in meetings of the leadership of the national police administration as a foreign policy expert. The newspaper SVENSKA DAGBLADET [transliteration] wrote: "In the opinion of the Social Democrats, the SAPO often makes mistakes in analyzing problems of foreign policy and political security." And the newspaper NORSHENSFLAMMAN also stated: "The SAPO is pursuing its own foreign policy, maintaining contacts with the special services of other countries."

This is one other important aspect of the activities of the secret department. Its ties are extremely extensive. It is no secret, notes DAGENS NYUKHETER, that Sweden exchanges information with intelligence organs and special services, chiefly of the NATO countries. Most successfully with Denmark and Norway. The SAPO's partners include the CIA, the English "Secret Intelligence Service," and the French DST. Exchange of information on terrorist activities and counterespionage is extremely important to the Swedish service.

However, "exposure" of the surveillance of Soviet diplomats, states DAGENS NYUKHETER, dealt a blow to the SAPO's authority. The Americans were extremely displeased by an information leak suggesting that eavesdropping on the apartment was conducted with the operational support of the CIA. And the British special services were displeased by Karlsson's violation of the rules of the game with his "independent activities." The sharp debates and hot discussions centering on the SAPO did not end without a trace. In late April its chief, S. Sundstrom

[transliteration], retired, explaining his action by the lack of trust in him on the part of the government.

It follows from a document written by a special commission headed by K. Lidbum [transliteration] that the SAPO was operating contrary to legal rules. This report is noteworthy. It emphasizes that surveillance of citizens for political reasons must be terminated, and decisions made by the SAPO should be documented in writing. Each time a need arises for using eavesdropping apparatus, the chancellor of justice must be informed. "When decisions are not documented on paper, no one knows what is going on," noted K. Lidbum. Discussing "bugging," Lidbum admitted that when necessary, the police do have the right to resort to this method, but unfortunately "it has been used in other cases as well." The report criticizes the SAPO's contact with Israel's secret service, the Mossad, and it emphasizes the need for limiting the SAPO's ties with colleagues from other countries.

"The work Karl Lidbum did was valuable and groundbreaking. It is important to determine the basic lines of the SAPO's activities," noted Minister of Public Administration B. Johansson.

Given all of the sharpness of the discussions and debates, no one has ever cast doubt upon the need itself for such a service. The reader may wonder: Precisely why did the author decide to write about the security police of such a quiet and neutral country as Sweden? Precisely because most of us think that this country does not associate itself with such extensive special service activities.

We are aware of the actions of the American CIA and the techniques of the British "Intelligence Service" and the French, West German and other special services. And when they are criticized in the press, it is precisely for their work methods. In our press as well, the right of every state to safeguard its interests by means of the corresponding organs is not doubted.

But when such organs violate the law, it is another thing. The committee to draw up proposals on reforming the SAPO was appointed, after all, by the Swedish government in order, as was noted in its report submitted to the Riksdag, to ensure that the cabinet would utilize its constitutional powers and direct the activities of the SAPO. As was emphasized in this document, this service is an instrument of security policy in the wide sense, and the government is responsible to the parliament for seeing that its activities correspond to the course determined by state authorities.

Intensifying parliamentary control over the SAPO, which is an extremely closed structure, must become one of the principal premises of the new reform. But by all indications today's SAPO is unable to control the destinies of people as simply as it used to.

Control over the SAPO's activities is itself a guarantee that violations and abuses will decrease, if not disappear altogether.

## Former GDR Intelligence Chief Explains Resignation

18120038 Moscow MOSCOW NEWS in English  
No 2, 21-28 Jan 90 p 13

[Interview with General Markus Wolf, former head of intelligence, GDR Ministry of State Security, by Yuri Shpakov, MN GDR correspondent]

[Text] For three decades he was head of intelligence in the GDR Ministry of State Security. About three years ago, General Markus Wolf made his final political choice and left the agency dubbed "empire invisible on the map". What prompted his difficult decision? What is his vision of the present and the future? There are some of the questions MN GDR correspondent, Yuri Shpakov, asked Markus Wolf, now politician, publicist and writer (he wrote "The Threesome", a best seller last year, soon to be published in Russian by Progress Publishers under the title "Three People from the 1930s").

MN: Frankly, it's not every day that I meet people who have decided to give up a high position. What were your motives?

M. W.: When the CPSU under Gorbachev adopted perestroika and glasnost, the SUPG leadership steered the Party and society in the opposite direction and called it "socialism in national colors". This was an eye-opener for me. With the start of Soviet perestroika, I began to oppose actively and at all levels the evil course which has led the country and the Party into the abyss of political crisis.

True, I also requested to be relieved of my office earlier, but I probably became an undesirable figure in the eyes of my superiors only in autumn 1986, when my request was granted.

As for my work at the Ministry of State Security, I can pledge with a clear conscience that the intelligence agency I was heading for over 30 years has made a positive contribution to the cause of peace and to the frustration of schemes aimed at undermining the basis of socialism in the GDR. And this is not only our assessment. Our contribution has also been recognized by our friends in other socialist countries (the current KGB chief V. A. Kryuchkov was my direct colleague for many years). The effectiveness of our efforts was also recognized in the West.

Notably, the work of the intelligence service has always been carried out separately from the work of other services of the Ministry of State Security of the GDR. Nevertheless, I take some of the responsibility for what was happening in the country when I was in office. That's why I refused a post on the ruling board of the Party of Democratic Socialism."

MN: Officially, the motive for your dismissal was your age. But the Minister of State Security Erich Mielke was, if I'm not mistaken, 81 then.

M. W.: Exactly. But Mielke was happy to accept my decision to quit. I decided to devote my whole time to a book which later appeared under the title *The Threesome*. The mastermind of the book was my brother Konrad Wolf. It contains a great deal of speculation about glasnost and the need for democratic reform, something I'm very much concerned about. However, the GDR mass media practically ignored the problems touched upon in my book, until the developments in November 1989.

Still, I am very concerned about the question of an age limit for high officials. The history of the GDR, and the history of the USSR for that matter are a fine illustration of the theory that there should be some formal boundaries, including age boundaries, for people in important posts, otherwise, we would find it very difficult to prevent a relapse of Stalinism.

MN: The GDR Ministry of State Security fell within a few days. It was made into a department of national security with a much smaller staff, which has also proved unnecessary under the current reforms. Do you believe that state security organs become obsolete in a democratic state?

M. W.: Yes and no. Yes, because the machinery operating as "the shield and sword" of the Party, in the GDR, the Soviet Union, and other socialist countries, was the perpetrator of Stalinist repressions. True, these repressions were not as horrible in the GDR as in other countries with similar regimes. But any dissent, any disagreement with the Party course was increasingly suppressed here as well, under the slogan of struggle with "ideological subversion". Repressions were especially harsh in the last few years, engendering fear or even open hatred of the Ministry. And the effect of this hatred was also felt in the last weeks of 1989 by thousands of those security agents whose hands remained clean throughout the decades of the Ministry's existence. And this is a veritable tragedy for these people, who receive threats—a very disquieting reality in the life of the GDR today.

Even at the first sanctioned mass rally on November 4 in Berlin, I tried to warn people against associating honest officers of the Ministry with the criminal course the former leadership of the Ministry took with Mielke as its head. The current developments are, in my opinion, dangerous for our revolution. State security bodies are necessary for the protection of the foundations of our state, of peace, and in the fight against fascism and neonazism. The GDR more than any other country needs a state-security agency. But the actual disintegration of this agency at present (except for the intelligence gathering section abroad, which, everyone believes, is still necessary) is a sign of the considerable weakening of state power in the GDR.

MN: What kind of danger do you mean?

M. W.: There's the threat of anarchy, of action by ultra-right forces coming out ever more resolutely onto the streets and squares. The only real power in the GDR today is the government headed by Hans Modrow. But those agencies which are commissioned to define the boundaries of the permissible—the internal-affairs department and the police—have undermined their own authority. I can see real danger for the peaceful course of changes in this country.

MN: Which problem is the most acute in the GDR now; political reform, the reunification of Germany, or the economic crisis? What do you think about the coming free elections in May? Many people regard them as the beginning of the end.

M. W.: All these problems are interconnected. But the major problem is the economy. And free entry into the GDR for West Germans and especially West Berliners will aggravate it. The giant discrepancy in the exchange rates of the two countries is already dealing a serious blow at the GDR national economy.

Our Party of Democratic Socialism aims to preserve public ownership of the means of production, which will be one of the basic prerequisites for the further development along the road of socialism. This, however, will require deep-going political and economic reform. Each producer must realize that it is he or she who is the real owner of this property and that he or she stands to gain from working hard. But this is a very difficult aim to achieve, as we see from the Soviet experience of perestroika. So I admit that if we fail to carry out socialist-oriented political and economic reform in the current difficult situation, Western capital will simply get a stranglehold on the country's neck and turn it into a semi-colony.

As for the coming elections, they won't trigger off catastrophe. They will bring us a democratic parliament and a government formed on new principles. And if the present peaceful development continues, this could stabilize the situation.

MN: Do you believe that developments could take a violent course?

M. W.: Yes, any spark now might be dangerous. Take the siege of the state-security headquarters by the raging crowd in Leipzig. They reached the boundary beyond which lies the unforeseeable.

When we started the revolution, all democratic forces were united by the motto: "For our country!". But now these forces are engaged in an election campaign. They are forming parties and are involved in the work of various commissions. However, the streets and squares now largely belong to other forces: right-wing radicals and extremists of all shades. I want to stress my point: the future is unpredictable.

#### OGONEK Editor Korotich Interviews Poland's Mazowiecki

90U10267A Moscow OGONEK in Russian No 49,  
2-9 Dec 89 pp 2-3

[Interview with Tadeusz Mazowiecki, PPR Council of Ministers chairman, conducted by OGONEK Editor-in-Chief V. Korotich: "Hopes and Debts"]

[Text] [Korotich] Mr. Council of Ministers Chairman, have you had occasion to visit the Soviet Union before?

[Mazowiecki] No. This is the first time in my life I have come here. I understand the importance of the moment and realize that our countries must live together, that this is a political question of first priority importance. Today our cooperation is multi-faceted. It includes both bilateral relations and such multilateral ones as the Warsaw Pact. Looking back, we must recall that there have been different views about cooperation with Russia. However, they almost never stemmed from normal relations between our countries. Alas, much was determined by abnormal situations, when Poland was not independent. And, while fighting for the freedom of Poland, many people in our country also fought for the situation where, being an independent and free state, Poland would build its relations with its great neighbor, Russia, as long-term relations. The same thing is important in our relations with other peoples—Poland's neighbors. I came here with the thought that the forms of our union, our cooperation, are extremely important. Today, when the distribution of political forces has changed in Poland, we must again emphasize that we are placing the wage on cooperation with Russia, with the Soviet Union, and this is not a question of the political situation. It is our approach to the problem, which largely determines also the future. By working for the present day, we are also laboring for the day to come.

[Korotich] Thus, today, judging by everything, truly normal relations between the Soviet Union and Poland are being worked out. After all, we have lived for quite a long time as if between crises and holidays. Either we embraced, affirming that we, supposedly, were dear friends, that we are together and everything is well, or we grabbed our heads, exclaiming that there were enemies in our house, that someone was destroying our idylls. At that time, the normal life of Poland and the normal everyday life of the Soviet Union remained off somewhere, aside. And perhaps it is particularly important that today we have truly and sincerely sensed each other and the fact that many events in our countries are component parts of the same process...

[Mazowiecki] Your words please me, because my feelings are the same. We must hasten to rid ourselves of the situation "between crises and holidays", or the situations when we appear either as mortal enemies or as friends who have no problems...

[Korotich] But will it be easier to live? Now we will begin talking about everything at once: About Katyn, and

about the real problems. I do not know if this will bring us closer together right away, but it will develop a type of even, equal relations, with no older and younger brothers. We will be two great equal countries which are headed by two leaders accepted by the people, and all this on an equal footing. What, in your opinion, should we do so that psychologically our people, and specifically the people of Poland, will assimilate and accept the principally new type of relations?

[Mazowiecki] I believe we must do two things. First of all, we must cleanse the past of falsehood. Secondly, we must prove that true partnership, equal relations are possible between our countries. This must be affirmed both through political practice and through economic cooperation. And we must understand that we cannot expect the rapprochement of peoples if we do not cover over the deep rifts of the past. We must ease the pain, which today is not associated directly either with your people or with your present leadership. After all, these questions poison our present-day relations, since the truth has not yet been told about them on either side. Truth about Katyn, truth about the deportations, the truth about the millions who perished. The publication of this truth will not reduce our respect for those of your people who fell in battle while trying to reach Berlin in the years of the last war. That is a different measurement, a different matter. And at the same time, the rift about which I spoke and which must be covered over actually exists thanks to untruths and half-truths. We must remove this obstacle, working out a sovereign partnership. Our cooperation must rest on even larger circles of society. Then people will feel equality on a massive scale. After all, even today many see the changes, but they are seemingly "not theirs". By assimilating a broad social base, all this will become "theirs".

[Korotich] What must we do to accomplish this? Perhaps the press should do more, and perhaps the professional politicians. What, in your opinion, must be done for a true normalization of relations between our societies and countries?

[Mazowiecki] I believe that at the first stage we must break down the barriers standing in the path of truth about the history of our relations and begin to work out a new style for them. I believe that the above-mentioned transformation is taking place already in the course of this visit. Our cooperation is extending to the state level, and contains also the ties between the communist parties of both countries. Inter-party relations can no longer replace inter-state relations, regardless of who is in power. Truly equal relations are possible only on an inter-state level...

[Korotich] However, inter-state relations are not an abstraction. They are also only a part of the situation. The individuals heading up the government have great importance. How did you perceive the Soviet leaders? Did you find these people interesting, these people who differed so greatly from those who led us about 10 years ago?

[Mazowiecki] It seems to me that I met at the highest level with people who utilized a most current system of criteria. In my life this was not only a very important, but also a very interesting event. It is simply interesting to meet with people of such a level. They are frank, and act in a comradely manner. It seems to me these are entirely different people.

[Korotich] You too, judging by everything, are an entirely different and new person. And the times are also different today. Administrative, bureaucratic "socialism", call it what you will, is dying out. This process, in my opinion, is all-encompassing and bears a historically regular character. Perhaps it began in Hungary, gripped Poland, my country, Bulgaria, the GDR, and Czechoslovakia. The situation around us is being renewed. This historic process is important, extraordinary, and in many respects difficult. It is hard for me in general to separate the processes which are taking place in our country from that which is happening with Poland and with other countries. We are learning to perceive in a new way not only our own community, but also the fact that Europe is truly becoming a common home. I might add that your opinions and your feelings are much more important for me today. Do you sense the common nature of the problems facing us today?

[Mazowiecki] I believe that everything must work out both for you and for us. If you do not achieve success, then failure also awaits us. Yet if things do not work out for us, then you will also fail. There is a very close dependence here, and I sensed an understanding of it in the discussions which I held in your country. Of course, our paths are in many ways different, and the rates of movement along these paths also vary. The methods of solving problems may be different, but the general lines are clearly interdependent.

[Korotich] We understand the importance for us of the hope that everything will work out in Poland. After all, we maintain that things can change for the better within the framework of our system, our community, and we study with great interest the changes taking place in your home.

[Mazowiecki] We are just as interested in what is going on with you. It is unusually interesting and important to seek out the means on which the problems facing you will be resolved peacefully and in an evolutionary manner...

[Korotich] We do not discuss any other means. It is frightening to think of the others. However, by developing normally, we compile for ourselves something like a sequential ordering of the problems. What problem is the most important, the first priority one for you today?

[Mazowiecki] Honestly speaking, we have many important, first priority problems, and I do not know which of them is the most important. Perhaps there is a dependence between the achievements in solving economic and political problems. If I were to say that, for example, we will solve the economic problems and then concern

ourselves with politics, that would be a mistake. And on the contrary: If we assume that the political problems come first, and then the economy—that too would be a mistake. Nevertheless, I, as the chairman of the Council of Ministers, am under constant pressure from economic problems and concerns associated with the living standard in the country, inflation, price increases, and so forth. I would like first of all to solve these problems, all the while keeping in mind also state transformations...

[Korotich] We two have both types of perestroika: Spiritual and ideological restructuring have joined into one with economic. There is one other problem which, in my opinion, is not unknown to either you or us. That is the connection between the struggle for freedom and knowing how to use the results of this struggle. Here the level of political consciousness and political realism also enters into the matter. The people, after all, want a miracle, and demand everything right away. Having elected a parliament in May of this year, the people are already complaining to the deputies that there is still no sausage in the stores...

[Mazowiecki] Here too we have much in common. The first phrases which we exchanged in the car with USSR Council of Ministers Chairman N. I. Ryuzhkov on the way from the airport were specifically about this. I told about the impatience, and he said that he understands me very well, since in the Soviet Union many would like the results to be achieved even yesterday. That is a problem, and a considerable one. However, I hold to one concept, and more precisely, to the value which stands behind this concept. I am speaking of political culture. Let me say a little about this in connection with Polish-Soviet relations. You understand, during the transition from totalitarian to democratic relations there are various movements and unrest, and among these even extremist, uncontrollable situations. Yet at the same time the example of Polish decisions shows how important it is for the main mass of society to exist at a certain level of political culture. Here I am referring not only to a certain technology of public life. I am referring also to a certain system of values within it. I will remind you of peaceableness, evolutionary development, culture, and the ability to sense a partner, even in an enemy.

I might add that when the new leader of the GDR, Egon Krenz, recently came to Poland, I said to him: "We must distinguish two concepts—the enemy and the opposition. As long this distinction does not exist, we cannot speak of any movement ahead". The realization of this position is very important in everyday behavior, commonplace actions, in knowing how to understand the arguments of those who hold a different position, and in knowing how to take them into consideration. It is extremely important to instill such culture of thought and behavior.

However, returning to Polish-Soviet relations, I will refer to the idea of DeGaulle, who said it or wrote it in a diary somewhere: "We cannot change geography, but we can change geopolitics". Let us take France, for example. It

has had conflicts with three neighboring countries: Germany, England and Spain. However, the current process of development has led to the situation in which these societies today are open in regard to each other. Why is it that we in Central and Eastern Europe cannot be open with each other? Let us take Poland. To the south of us is Czechoslovakia. We have had few conflicts with it, but the relations are not the best. They saw us as romantics, unadapted to real dealings, and we also had a tendency to look at them from on high. We must overcome this. Then there is Germany. There is very much between us. Yet there have also been periods of normal cooperation, mutual influences, and here too everything must change for the better. Finally, there is the East—the Russians, Ukrainians, Lithuania, and Belorussians. The process of unification and openness with these peoples still lies ahead. After all, we are closest of all to you, and our historical ties are strong. We have a great need to develop relations with the huge country and people of Russia. So that we are not limited to discussions about meetings of Mieckiewic with Pushkin, we must develop communication of people with people, particularly since our peoples largely determine the situation in this world region. And if our unification does not intensify for the better, then we will not be able to improve the geopolitical situation.

[Korotich] Do you feel on your desk the weight of unpaid bills left over from past governments, and do you intend to pay on them? Then again, the leaders of our country are also settling many old accounts today. The times and problems are drawing together. It is you who will have to unravel many knots tied in other times...

[Mazowiecki] If I thought that I could unravel all these knots, I would go crazy. I think realistically and hope that I will facilitate the forward movement. Let us be realists...

[Korotich] Well, in the name of millions of our readers I would like to wish to the real Poland, with its real premiere—real happiness!..

[Mazowiecki] Thank you. It is good to end the conversation on such a note.

[Korotich] On a note of hope, which must come to pass...

COPYRIGHT: Izdatelstvo TsK KPSS "Pravda", "Ogonek", 1989

#### MSZP Seeks 'Democratic Socialism,' 'Market Economy'

90U102704 Moscow PROBLEMY MIRA 1  
SOTSIALIZMA in Russian No 12, Dec 89 pp 37-40

[Article by Sandor Zsorczi, representative of the MSZP to the journal: "The Birth of the MSZP"; passages in boldface as published]

[Text] An event which engrossed the attention of all Hungary and which is certain to have a considerable impact on its future and on the fate of the nation—this is

a good description of the congress of the Hungarian Socialist Workers' Party (MSZMP) in October 1989. After heated debates, the establishment of the Hungarian Socialist Party (MSZP) was announced. The history of the MSZMP as the state party, the party in power since 1956, came to an end.

#### From the Party Conference to the Congress

The Hungarian society was approaching a state of crisis in the second half of the 1980's. There was increasing dissatisfaction in all strata of the population, the authority of political leaders was undermined, and the moral crisis was growing more acute. All of this also undermined the belief in the possibility of attaining socialist goals.

The state of the country made it necessary to convene a national party conference in May 1988, without waiting for the next MSZMP congress. For the first time in over 30 years, the performance of the leadership and executive agencies, and of the government and its establishments, was criticized. The conference concluded that national progress and development would require a policy line diverging radically from the line which had led to the crisis, stepped-up reform in all spheres, the coordinated renewal of the economy and the political system, and the mobilization of the society's constructive forces. Above all, this meant the use of market mechanisms in economic affairs, the establishment of a new system of political institutions based on pluralism and legality, and—probably the main thing—the restructuring of the MSZMP through the development of intra-party democracy.

Sweeping reforms began after the party conference. One reform followed another at a dynamic speed in the sphere of politics and law; new laws were passed; the Hungarian constitution was debated; the prerequisites were established for a multi-party system; there was a change in the relationship between the administration and parliament, and so forth. Dozens of sociopolitical movements, associations, clubs, groups, and various types of societies came into being one after the other. Parties which had once been active were revived—the Social Democratic, Independence, Smallholders, and National Peasants parties and others. All of this created a special situation for the MSZMP: It had to adapt to the changing conditions. The democratization of party affairs rejuvenated its organizations and organs, past errors and the development of the country were debated, etc.

Diametrically opposed currents made their appearance in the party: Some viewed the need to alter the model of socialism as a rejection of it, while others felt that what had failed in Hungary was not Marxism, but a leadership which had deviated from this doctrine. Still others wanted a party of the Stalinist type. There were even some who proclaimed a "revolution within the MSZMP."

In short, by the end of the decade the Hungarian society had reached a turning point. The authoritarian system which dated back to Stalinism had exhausted its potential. The imminent crisis could only be surmounted by the profound restructuring of social, economic, and political relations. The reformist forces which had existed in the MSZMP for decades were encouraged by other currents wanting reform to take advantage of the favorable external circumstances to pave the way for a peaceful transition from state socialism to democratic socialism. Comprehensive and radical social, economic, and political renewal, however, called for the formation of a new party.

#### The MSZP—A Leftist Socialist Movement

It was in this complex political atmosphere, accompanied by economic uncertainty, that the last MSZMP congress began. Four-fifths of the almost 1,300 delegates were taking part in this kind of forum for the first time; 85 percent had a higher education; 80 percent were between the ages of 30 and 45; 8 percent were women; and workers, young adults, and retired citizens represented 3 percent each. All areas in Hungary were represented by their own groups; besides this, there were delegations representing the ministries of defense and the interior and the border troops.

The main role at the congress, however, was not played by territorial associations, but by the platforms represented by at least 12 delegates each, and this was one of the ways in which this forum differed radically from earlier ones.

The most representative and perhaps most radical of the platforms was that of the Reform League. It advocated the radical transformation of the party which had led the country to a historic impasse, a break with the monstrous conglomerate the government had become, and the dissolution of party cells at enterprises, in internal affairs organs, and in courts, and opposed the discredited leaders and "secret" conservatives. At first around 460 people supported this platform, and the number had increased by 10 or 15 percent by the end of the congress.

Another platform—popular democratic—was represented at the forum by around 40 delegates. The program won the support of almost 300 people, however, because it was balanced and therefore represented a satisfactory compromise to many. Like the Reform League, it rejects bureaucratic and dictatorial socialism, but it places a higher value on state ownership and on the introduction of elements of self-government into democratic procedures.

It turned out that these platforms and the much smaller youth movement, the movement "for provincial equal opportunities," and the agricultural platform advocated the formation of a new party of the socialist left. Members of other currents—the Movement for the MSZMP and the Union for MSZMP Renewal (35 and 30 delegates respectively)—had another point of view and did not want to change the party's name. The members of

the first group felt that the forum did not have the authority to dissolve the MSZMP (the members dissolved the group at the end of the congress). The second group was promoting unity within the earlier party. The advocates of renewal, however, were in the minority. The MSZP was born. Only 159 of the 1,202 delegates present in the hall voted against this decision, and 38 abstained.

The congress resolution says that the MSZP regards itself as the heir to the reformist ambitions of the MSZMP and unconditionally acknowledges the common human values of humanism, liberty, democracy, and respect for constructive labor.

**The MSZP will uphold the timeless traditions and values of the socialist and communist movement and will subscribe to the principles of solidarity and social justice. Its activity will be based on philosophical and political tolerance.**

The MSZP is being transformed from a state party into a modern leftist socialist movement, a political mass party controlled by its members. It is rooted in the basic ideals of Marxism. Its goal is the construction of democratic socialism. Observing the statutes of a law-governed state unconditionally, it is prepared to unite with all forces willing to cooperate in leading the country out of crisis. It intends to promote the construction of a multi-party system of parliamentary democracy based on mixed ownership, a social market economy, and a system of self-government.

The MSZP is not a communist party in the earlier sense of the term and it is not a social-democratic party. It is a socialist party seeking a chance for the future merger of these two movements.

"What must we disavow?" asked R. Nyers, the chairman of the new party. Above all, the narrow and outdated class policy. Of course, this does not mean that the interests of the working class and the cooperative peasantry and intelligentsia should be ignored, and we cannot agree with those who want to turn the new party into a bourgeois organization. The party will discard the principles of democratic centralism and dictatorship by the proletariat. It disavows all forms of Stalinism and neo-Stalinism.

The MSZP must be an organization of the masses, but who is being invited to join it? Above all, people who work for a living, but also small businessmen, our fellow citizens of the Hungarian and other nationalities. In a special appeal, the congress asked all of those who agree with the new party's political program and charter to join the MSZP. Dissident views will not preclude participation in MSZP activities. This is one of the basic principles announced at the congress. The party is an alliance of different platforms. The basic premises of its activity are voluntary participation and joint action governed by a sense of solidarity and common principles and political goals. Internal party affairs will be distinguished by broad democracy: All decisions and actions will be

engendered by the will of the members. They will be able to freely express their opinions, organize and form groups, and arrange for joint political actions.

#### **The Goal—A Democratic Socialist Society**

The new party believes that the move to democratic socialism will necessitate the creation of a state with a social policy based on an effective market economy. Furthermore, this policy will not be a burden to the national economy but will become an organic part of social reproduction. Our goal is a state where people will feel comfortable and will have a chance to develop their abilities, realize their interests, and establish the prerequisites for a peaceful life and a secure future for their children.

The MSZP intends to guarantee the **socialist nature of the social system**. To this end, priority will be assigned to the free development of the group and the individual and to the elimination of the alienated, bureaucratic, and excessively centralized government; the establishment of public representation at all levels of the political system, self-government, democratic culture, and public control. Besides this, dynamic social development will lead to the fuller realization of personal freedoms in the future. The MSZP wants to establish a solid system of social justice and solidarity, equal opportunity, and social protection.

The **establishment of the political system of democratic socialism** will first entail the construction of a law-governed state on the basis of a broad national consensus and the introduction of the referendum as an institution for the direct expression of the public will. The balanced distribution of power will prevent its excessive concentration and secure the autonomy of local and regional self-government. In the activities of local councils, priority will be assigned to public representation. The parliament will be controlled effectively by public opinion and a constitutional court. The political system will be based on the separation of judicial, executive, and legislative powers. The multi-party system will be a guarantee of civil liberties. There will be separate mechanisms for the representation of social interests and constitutional guarantees for the protection of ethnic, religious, and other minorities.

**Property reform** is a fundamental prerequisite for economic renewal during the transition to democratic socialism. In the opinion of the MSZP, the best system would simultaneously promote economic development and social security. The basic elements of a diverse property structure already exist in Hungary: state property serving the needs of the entire society, cooperative and social forms of collective property, the property of social establishments and independent institutions, and private property.

The new party supports the free acquisition and disposal of property. The accumulation of property through legal channels does not hurt the civil rights of other people and does not signify a return to capitalism. First of all, government property should be made more democratic.

It should be turned over to new owners on the basis of legal regulation and under social control. Cooperative property will become an important form of social property after it has been freed from state patronage. Municipal property, belonging to cities and other communities, will come into being as a result of the reform. The circle will be widened by the creation of various organization and establishment funds.

Private property, in the MSZP's opinion, can become an organic part of social property and can work for the good of all the people rather than benefiting only its owner. In view of the growth of commercial enterprise, participation by workers and employees in managerial decision-making should be secured. In short, the party advocates a variety of forms of ownership and intends to establish constitutional guarantees of their economic equality and security, including the property of foreign capital.

**The economy must be a market economy.** This was the unanimous opinion of congress delegates. The market, however, does not consist solely of goods, but also of manpower, capital, land, and information. The development of a market economy will necessitate the elimination of unjustified state subsidies. The negative effects of the excessive concentration of economic power must be surmounted, the monopoly status of enterprises must be revoked, and competition and commercial enterprise must be encouraged. The party has stressed that "we are fighting against impoverishment, not enrichment." For this reason, it supports the offer of social assistance to the workers of the less competitive enterprises, the development of a personnel education and advanced training system, and the creation of new jobs.

**What will the state's role be?** In all developed countries it regulates market relations, guards the economy against harmful influences, and encourages the incorporation of new technology. The modern state and the market economy are mutually engendering and mutually restricting entities.

Many speakers at the congress mentioned the need for the **equitable distribution of income**. We acknowledge the legitimacy of wages and of all other income (including capital gains, commercial profits, development bonuses, and finder's fees) as long as it is used effectively for the good of the society. Furthermore, people who take risks and seek new routes are justified in expecting greater rewards. This is not contrary to the principle of social justice and equal opportunity. In fact, it puts it on a solid material basis. The MSZP policy statement says that "we want the kind of sociopolitical, economic, and distributive model in which the diligence of citizens and state-guaranteed social security constitute the basis of proper coexistence."

The system of taxation should not be geared to immediate advantages. This would reduce the incentive to work harder, to do better work, and to strive for spiritual enrichment. According to the MSZP, the main purpose of social policy is the **minimization of extreme differences**

**in the standard of living.** The development of a strategy for the creation of new jobs and the planning of educational and advanced training programs, the encouragement of commercial enterprise, the provision of workers with broader opportunities to take jobs abroad, the institution of part-time employment, and other measures should minimize the number of people without jobs. "We still regard the right to work and to social protection as a fundamental value, but we interpret it as a way of securing the future of individuals and their families, and not of enterprises operating at a loss." The party resolutely declared its support for changes in the economic and social conditions perpetuating the low standard of living.

The right to health is a basic human right, and this means that the material basis of the health care system must be improved and that a larger portion of national income should be allocated for this purpose. We advocate resource-conserving and energy-saving forms of economic activity. The MSZP program also focuses attention on the issues of aid to families, youth, and retired citizens.

The MSZP regards the development of science and the elevation of educational and cultural standards as an elementary condition of progress. Financial and moral incentives for creative labor and the activities of the intelligentsia require immediate and radical changes. The party is opposed to the state monopoly in education and supports academic freedom and autonomy.

#### Our Place in the World

The MSZP will work with progressive and democratic forces in the international arena to solve this century's problems and encourage mutually beneficial political and economic relations with all countries. Hungary must work with the developed states to augment the new achievements of human civilization and strive to become an active participant in international integration in economics, science, culture, and everyday human contacts.

The party is in favor of an **independent Hungary**. National interests can be secured only with consideration for the country's ally obligations and only on the basis of a sober assessment of the current international situation. The MSZP affirms the importance of a balanced relationship with the Soviet Union. The party supports all political and military steps to strengthen detente in Europe. As a member of the Warsaw Pact, Hungary must aid in the conclusion of agreements between the blocs, the reinforcement of trust, and the removal of ideological confrontation from intergovernmental relations. In the opinion of the MSZP, the time has come for an internal reform of the Warsaw Pact, the democratization of this organization, and the reinforcement of the defensive nature of its military doctrine.

Hungary will have to adapt to basic trends in the world economy while simultaneously taking measures to prevent the growth of unemployment and inflation and to

defend national interests more effectively in cooperative projects with CEMA partners. We must stress that we regard our membership in this organization as an objective reality.

The MSZP will promote the establishment of a **unified Europe**. After all, the future of Hungary will depend primarily on its future. The security of the continent should be safeguarded not with weapons, but with political, economic, and cultural cooperation, direct contact between people, and trust. The new party sincerely hopes for the solidarity of the nationalities of the Danube region.

The main moral obligation, the policy statement says, is consistent struggle for the human rights and equality of ethnic minorities, for the genuine realization of these rights in Hungary and the rest of the world.

As one of the members of the European leftist movement, the Hungarian Socialist Party has declared its willingness to cooperate with all forces acknowledging their responsibility for the future of Europe. These are mainly forces for reform, communist, socialist, social-democratic, and other leftist currents with an interest in

the successful completion of our historic mission, various new movements for environmental protection and peace, and youth and women's organizations.

The MSZP intends to build its relationship with other parties on the basis of the unconditional observance of the principles of autonomy and equality and the complete freedom of each side to think and act according to its own wishes. We want to maintain contact at many levels with the parties of the international communist movement. Our particular interest in the experience of social democrats stems from our common traditions and from their significant achievements. The MSZP will also seek areas of possible cooperation with bourgeois political forces because it appreciates the efforts of progressive bourgeois humanists to secure peace, democracy, and equality in economic relations, and it is prepared to accept values which have proved to be timeless.

The work of the congress was finished to the accompaniment of "The Internationale." The MSZP has mapped out its policy line. The faith of millions of Hungarian citizens in the new political organization, which has proclaimed itself a party of the laboring public, a party of the people, will depend on how this line is implemented.

**Cuban Revolutionary Mario Estable Interviewed**  
**90U10254A Moscow SOVETSKAYA KULTURA in**  
**Russian, 30 Dec 89 p 7**

[Interview with Mario Gilart Estable, Cuban revolutionary, conducted by Consuelo Segura, SOVETSKAYA KULTURA special correspondent: "The Reliable One"]

[Text] In the foyer of the hotel Havana Libre, festively decorated with the New Year's tree, peacefully blending in with the palm trees which were much more customary here, he looked quite unusual. The colorful and idle throng of tourists streamed around him like the azure waters of the Atlantic flow around the island of Freedom where he was born. The left side of his tunic looked like chain mail—that is how densely the combat orders and medals with which the Revolution had honored its hero were hung. How could I think that I would not recognize him in the crowd? No, one could make no mistake.

"Are you Mario?", I nevertheless asked, just in case.

"Yes, my name is Mario Gilart Estable", he answered, and I could not help thinking that his surname, which in Russian means "stable" or "reliable", could not be more suitable for a man who has devoted his entire life to the cause of the Revolution.

[Correspondent] When I asked to have a meeting with one of the participants of the Cuban revolution, quite frankly, I thought that it would be an older person.

[Estable] You forget that our revolution is much younger than yours, and moreover, I embarked upon the path of the revolutionary struggle when I was just 15 years old. I will say honestly that I entered the struggle not for political convictions. After all, what could an illiterate black boy living in extreme poverty know about politics? I spent most of my time in the streets in search of food, hiding from the police and running away as soon as they appeared. How I feared them! But hunger chased me out into the street again and again. I slept on the floor, covering myself with a sugar sack. Of course, I did not go to school, and besides, I had nothing to wear—just torn clothing and no shoes.

In my native village of Alto Songo, located in the eastern-most part of the country near Santiago-de-Cuba, there was an underground group operating, and we all knew of the existence of the rebel army. And so I decided: Rather than living such a life, it is better to join the partisans. I entered the group which was soon to go up into the Sierra Maestra mountains and there join up with Fidel's forces. However, it turned out that there was a traitor among us. On information supplied by him, the soldiers of the national guard met us on the road and fired on us. Everyone began running, but I decided to take cover in my house. Soon the guardsmen came there. They searched the entire house, but at 15 I was a small and skinny kid, and I was able to hide in a pile of coffee sacks which were lying in the corner. When the guardsmen left empty-handed, my mother got me ready for the road and said: "You can't stay here

anymore. They have betrayed you. Go into the mountains". She put the last of the food which we had in the house into a sack, and kissed me good-bye... To this day I cannot think about my mother without tears.

And so I went into the Sierra Maestra mountains. The partisans were happy to see me: "Look at how small and inconspicuous he is! He will make an excellent reconnaissance man". And my life among the partisans took its course. Saddling up a plain little horse, every day I would go down into the valley. I rode from village to village, from store to store. I bought salt, sugar and other goods for the partisans, and at the same time I counted where the national guardsmen were located and how many of them there were. I noted how they were armed and watched their movements. This information was extremely important to the partisans, who were preparing to attack soon. However, I did get caught once. It seems one of the guardsmen had been watching me for some time. He reported the suspicious teen-ager to his captain, who gave the order to arrest me. On one of my next outings, I was seized and thrown in jail. There I was harshly interrogated. They fractured my skull and starved me. I thought that my fate was sealed and that I did not have long to live. However, it turned out otherwise. Many partisans who had been seized at various times by the guardsmen were also in this same jail, and Raul Castro and his detachment decided to attack it and rescue us. The operation was successful, and we were once again free.

At first I was unlucky. I was assigned as a cook to Raul Castro's detachment. This did not suit me. I wanted to fight with a weapon in my hands like my older, more experienced, comrades. I pleaded with Raul for a long time. I was impatient to exchange my cook's hat for a rifle, and finally I was transferred to the detachment of Commandant Antonio Lusson, where under the name of Michelin, I began to fight as a real soldier.

I took part in 12 battles and got as far as Olgua with the rebel detachments. This city was the key point in the defense of the government forces, and many of our comrades fell in the battle for it. There we learned that Bautista had fled. The hour of our victory had come!

And so, there I was, going to Havana with Fidel's detachment, in his personal escort. I was riding in an open jeep, in which there were some unoccupied seats. Then suddenly, during one of the stops, a bearded man whom I did not know jumped up onto the footboard and wanted to go with us. "You cannot go here," I told him, "this is Fidel's escort". The man laughed in response, and my comrades told me: "What's wrong with you? Are you crazy? That is Camilo Cienfuegos!"

I think that I have been very lucky. When I was very young and just learning to live, fate brought me together with people whose example led me and influenced my attitude toward life, toward the revolution, and toward the cause which I have served and will continue serve until the end of my days. These people are Camilo and Che. Today people write legends about them and tell

them to their children, but I had the honor of knowing them personally, and I can say with full conviction: There is no legend that reflects the high heroism of their life and the depth of their morality and human values. Unfortunately, they lived a short life, but I firmly believe that, had they not both died so soon, the fate of our country would have turned out differently.

This is particularly true of Che Guevera. He was an unusual man. He worked tirelessly without rest and did not make use of any of the privileges to which he was entitled as hero of the revolution. His basic principle was: Give everything to the revolution, demanding nothing from it in return. Unfortunately, today many have lost sight of this principle. For example, I am often asked: "Why do you, who have given so many years to the revolution, not even have a car? After all, you are entitled to one". To this I answer that the reason I fought was not to get a car, and I do not intend to fight for one today. In life one must give, and not take. That is what I think, and that is how I raise my children.

However, more and more often we meet people who profess to be revolutionaries, but who in time have become simply corrupt clerks who are hanging on to the revolution. I believe that it is only after one's death that we can judge whether a man was a true revolutionary or whether at some stage in his life he turned off of the straight and narrow path and took the crooked road. To the end of his days, Che set the example of a true revolutionary who fought for the highest principles, subjecting to open criticism everything which, in his opinion, contradicted these principles. I am convinced that his mind of a gifted economist would have helped us to solve the most complex economic problems facing our country today, and that his moral example could light the true path for many.

I believe that I have lived my life in such a way that I would not be ashamed to tell Che and Camilo about it. It has been several years since I have retired from the army due to illness, but I continue to work as a volunteer and serve the cause of the revolution. I—a fighter in the revolutionary army—was granted a rather sizeable pension, but I declined it. Today I conduct military training exercises with young soldiers. In general, I like young people and devote all my time to them, teaching them the principles which I absorbed from Che and Camilo in the days of my youth. I spend a lot of time working with the Young Pioneers. Seeing them, I often recall my sad childhood and the hungry children of Ethiopia, whom I saw in that country, and I am happy that the new generation of Cubans is growing up without knowing grief, poverty, or a shortage of food and clothing.

When I am asked why I declined my pension, I say that I work not for the sake of money. Money is a transitory thing. No matter how much of it one has, it will always run out. I am afraid to appear naive, but I believe that the time will come when people will live in a society where there will simply be no money. It brings too much evil: Crime, corruption, and betrayal. Let us recall a most recent case: A hero of the Republic, gripped by the

thirst for gain, begins dealing in drugs, thereby inflicting a severe political blow upon our country, our party, and the prestige of our revolution.

Man was not created to get rich. His purpose is spiritual growth, work, and harmonic development. Man must live in peace. I am a military man. I have served 26 years in the army and know very well what death and war are. There are no victors. Everyone loses. This is specifically why I hold vast respect for the USSR, which I had occasion to visit. I still retain the warmest recollections of a country which makes every effort to make war impossible.

And finally, here is the last thing. No matter what happens today, no matter what they say, I would like to say that if the Cuban revolution exists to the present day, it is largely thanks to the existence of the Soviet Union. That is what I believe, and that is what all the Cuban people believe.

#### Golts Critique of U.S. Intervention in Panama

90UM0198A Moscow KRASNAYA ZVEZDA in Russian, 24 Dec 89 First Edition p 4

[Article by Aleksandr Golts under rubric "A Columnist's View": "Panama: What the Rangers Are Shooting"]

[Text] Ten days ago the U.S. weekly AVIATION WEEK AND SPACE TECHNOLOGY reported that the Pentagon was testing a new supercomputer system intended for processing all that colossal volume of data which will come to the military department in case "a crisis situation breaks out" in any area of the globe. Such an analysis is required to ensure effective actions of U.S. Armed Forces.

At that time the world press was continuing to discuss results of the Soviet-American meeting off the shores of Malta, and I still had the thought then that perhaps for the first time, progress in the area of political thinking had begun to clearly outdistance scientific-technical thinking. In fact, the statements of both leaders about the need to respect sovereign rights and freedom of choice of each people and state inspired hope that a category such as "military intervention" would pass into oblivion. Consequently it was thought that the Pentagon's computer was doomed to stand idle and would become one more monument to the inglorious times of imperial claims and confrontations.

But today computers in the U.S. military department probably are overheating from overtime work: the aggression in Panama is in full swing.

According to the U.S. press, the action against Panama is the largest combat operation by U.S. Armed Forces since the intervention in Vietnam. It is following a scenario rehearsed long ago: while 82d Division airborne personnel are neutralizing centers of resistance and special teams of Green Berets and CIA associates are attempting to capture General Noriega, a "president" suitable to Washington already has been sworn in at a U.S. military base in the Canal Zone.

And the set of excuses for the brigandage also is from the arsenal of imperial politics which appeared to already have become a thing of yesterday.

I even admit that the U.S. president was in fact disturbed that an American officer had been killed. I also admit that it appeared to the proprietor of the White House that the lives of other Americans were threatened. But the military aircraft were not used for emergency evacuation; they were used for bombing the Panamanian capital.

Today we live in a swiftly changing world, a world which not only inspires hopes, but also casts challenges. In my view, the U.S. operation in Panama posed the question point-blank, as the saying goes: "How should a civilized country react to particular challenges thrown it by the evolving foreign political situation?" Under present-day conditions do the duties of a great power include teaching others how to live and demanding that they follow a particular system of values?

I will say honestly that for a long time we ourselves did not give an unequivocal answer to this question. Now we have. We have, after experiencing the pain and bitterness of Afghanistan. We have, after fundamentally assessing the commitment of troops to Czechoslovakia in 1968. We decisively rejected the concept which the West calls the "Brezhnev doctrine."

The Soviet Union is demonstrating both in word and deed respect for total sovereignty of Eastern European countries unrestricted by ideology. We respect their striving for independence without excluding possible transformations of socioeconomic and political institutions. But by acting in this way we have the right to demand the very same of others as well. Speaking of the approach to the situation on the European continent, it must be said that the West, including the United States, is trying to follow its own calls for restraint.

But when the talk turns to the developing countries, Washington as well as its NATO allies (some of them supported the aggression) apply quite different yardsticks. It seems that the U.S. capital just cannot reject neoglobalism, the doctrine which required that notorious "vital interests" be ensured by direct intervention, including military, throughout the world.

This is why the support, including arms deliveries, continues for antigovernment units in Afghanistan, Cambodia and Angola. This is why Washington does not wish to leave Nicaragua in peace in any way. This is why it crept into Panama.

On the day after the beginning of the intervention that same NEW YORK TIMES wrote: "For Bush the U.S. invasion of Panama was not only an attempt to achieve specific objectives, but also the rites of initiation into the presidency. The majority of U.S. leaders since the time of World War II . . . have acted on the basis of confidence that American political culture demands that they immediately demonstrate to the world that they have big sticks."

And so the big stick has been demonstrated. No one will dare call the president "indecisive" any longer. Even if we do not take the moral aspect of the matter into account, however, I am sure that when people begin to count up the purely political pros and cons it will become obvious that the U.S. action did much more harm than good to U.S. policy. Figuratively speaking, U.S. soldiers are shooting not only at Panamanians, they are shooting at a very delicate fabric of trust in interstate relations barely beginning to form in the world arena.

One other conclusion from the events in Panama. Judging from everything, we still have far to go to a universally civilized era. It follows that our country must have such Armed Forces that would be a reliable guarantee of security in case of any, even an unpredictable, situation. In my opinion the U.S. intervention must force those people to think who today at times demand from high rostrums an almost complete unilateral disarmament.

### Reader Asks About Cuban Troop Deployments

*90UM0198B Moscow PRAVDA in Russian, 24 Dec 89  
Second Edition p 4*

[Article by A. Sharyy in response to letter by Ya. B. Ablyakimov: "A Shield Against Threat"]

[Text] *I know from mass media reports that a withdrawal of the Cuban military contingent from Angola is going on. Tell us how many Cuban soldiers already have returned home, in what countries were Cuban soldiers located previously and are located now, and on what basis.*

*Ya. B. Ablyakimov, Fergana*

At the request of the governments of Syria, Algeria, Ethiopia, Angola, Guinea-Bissau and a number of other countries, Cuba sent its military contingents there in various years to participate in combat actions. "We are not sending our volunteers to take part in civil war," declared Cuba's leader Fidel Castro on this account, "inasmuch as we believe that the internal affairs of any country are not objects for military intervention; our presence represents a shield against invasion or threat of invasion from without."

At the present time withdrawal of the 50,000-strong Cuban military contingent from Angola continues. Some 27,000 officers and men had returned home by the beginning of December of this year. The last Cuban soldier will leave the territory of Angola by 1 July 1991.

There has been a Cuban military contingent in Ethiopia since April 1977. There were 2,094 volunteers in Ethiopia as of the beginning of this fall. Their withdrawal began in September of this year under a bilateral agreement.

There is a small Cuban military contingent in the Congo.

Over the past three decades more than 400,000 Cuban military and civilian specialists have been on the territory of Africa. According to Cuban information, 2,289 persons have perished or have died from tropical illnesses.

**Fear of Political Instability Adds to PRC's Economic Woes**

90UI0266A Moscow *IZVESTIYA* in Russian, 4 Jan 90  
Morning Edition p 5

[Article by Yu. Savenkov, *IZVESTIYA* special correspondent in Peking: "Does Inflation Hinder Economic Growth?"]

**[Text] Statistical data on the "efficiency" of the Chinese economy in 1989 is in principle a commonplace thing. Yet this time, sensitive economists have shown unusual interest in it.**

There are some good reasons for this. I will name two of them. The first reason: It is already the second year since the government has been trying to solve the difficult problem of revitalizing the economy. And, since this is a long-term program, the accumulated experience gives us food for thought.

The illness called "inflation" has long been coming to a head in China, but it was manifested most clearly at the end of the first decade of reform. Bringing about impressive changes in the country and taking on its own inertia, reform, it would seem, was moving ahead decisively, and then suddenly slowed down. An imbalance in the individual sectors of the national economy became apparent. In the sphere of price formation and macroregulation, the reform was poorly coordinated with the policy of economic growth. We might add, as experts believe, this is what distinguishes it from the situation in our country, where there is imbalance, but no phase of rapid growth. What happened? The local organs of authority, exercising their broad economic rights, began to force the rates of development of the processing industry without paying heed to energetics, transport, or raw materials. The government was forced to close the breach—to develop specifically these other sectors. Where would it get the means for this? After all, the budget income was fixed. The printing presses went to work making money. The enterprises, striving to increase their income by the simplest means, began to raise prices. The issuance of money created a nutrient medium for inflation, while the increase in prices by the enterprises seemed to close the chain: The cost of living began to increase sharply. Under these conditions, the state was forced to begin curing this illness.

The diagnosis was made, and the methods of treatment were selected. In order to create conditions for reducing the issuance of money, the rate of economic growth was sharply curtailed, primarily in capital construction. The issuance of credits was reduced, so that state funds would not go into circulation, and the percentage rates on investments were increased so that the money held by population would be tied up. Among the other methods of treatment were: Control over price increases and reduction of administrative expenditures by enterprises and institutions.

The second reason: Radical transformations in society caused an upheaval in the social and political spheres, which in turn affected the economy. The dramatic events which occurred in late spring-early summer, for example, evoked economic sanctions imposed by the West. Under conditions of a shortage of foreign currency and deadlines rapidly approaching on payments coming due for foreign loans—all this created additional financial difficulties. There was a deficit, for example, in income from foreign tourism, which had waned.

In mid-December there was a devaluation of the national currency. The exchange rate of the yuan dropped by over 21 percent as compared with the dollar. Everyone was convinced that this would stimulate export and reduce import, which is necessary to retain and increase the precious foreign currency. After all, the time was drawing near when accounts on foreign loans would have to be settled.

As the CCP Central Committee Plenum (November 1989) noted, on a background of undoubted achievements realized during the decade of reforms, difficulties and problems have accumulated in the last few years. These are temporary, and the conditions are present for overcoming them. The Plenum stressed attention toward the need for strict financial control, a strict economy, bringing about order in improving the management of enterprises and increasing their effectiveness, reducing the total public demand, etc.

Evaluating the available statistics, we will try to see how this treatment is working, and how the economic and social organism is reacting to it. There has been no principle success achieved in narrowing the huge gap between the overall public supply and demand. Moreover, the annual task of reducing the rates of inflation, experts believe, has not been not fulfilled. Nevertheless, a step forward has been taken. The printing presses, which in 1988 had correctly printed around 40 million yuan, were silent. Moreover, 5 billion yuan were taken out of circulation. The reduction of the monetary mass is a serious change. The growth of prices has been slowed down, although it is still rather high. It is true, in general, as they believe, that this was inherited from the previous year. The new rate of growth in prices comprises only 7.6 percent. The prices on numerous food products were at the same level as they were at the end of 1988. Recently a report was published here, stating that the grain harvest in 1989 finally equalled the record 1984 level, which in the opinion of experts will provide a good basis for the development of the entire economy and must facilitate control over the growth of prices and the stability of the market.

Capital construction, which to a significant degree "warmed" the inflation, has declined sharply. The number of new facilities introduced by state companies equalled 10,000, two-thirds less than the level for last year. The volume of capital construction has declined by 9 billion yuan, although the planned level was much higher. However, according to the evaluations of experts,

the central government controls only 60 percent of the capital construction, primarily in the basic sectors. The other 40 percent, and this is primarily the processing sphere, is in the hands of the local authorities and private companies.

How are the chronic problems of the lagging of base sectors behind the processing industry being resolved? For now, slowly. Power production has increased by 8 percent, and the production of metal and certain forms of raw materials has increased slightly. At the same time, the area planted in cotton, for example, is being reduced, and the government has again recently increased the purchase prices on this crop, while at the same time monopolizing the sale of cotton and prohibiting a free market. Are these measures leading to the situation whereby the peasants will return to raising cotton instead of other more profitable crops?

What price did the country pay for the first successes in the policy of economic stabilization? First of all, the rates of development have slowed down, although the gross national product has risen by 5 percent, while the gross industrial product rose by almost 9 percent. However, certain figures have attracted the specific attention of observers. In September there was only 0.9 percent more industrial production turned out than in September of the year before last. This is surprising, believes the representative of the State Statistical Administration, Chan Chun Tsi. After all, this is the lowest growth in the 10 years of reform. An absolute drop in production was recorded in October. Another surprise: Shanghai and 6 provinces, perhaps the most important tax payers into the state budget, have shown negative results. All this is evidently the reason for the strict credit policy directed at bridling inflation and "cooling down" the overheated economy. Will the policy of curtailing credits be continued? And what if there is a decline? (We might add, certain economists do not exclude the continuation of inflation in the future despite a growth in development). The question centers around what level of inflation is acceptable (in any case until we are able to limit it to single digits). There was a report that 20 billion yuan were directed to the agricultural banks in order to guarantee the peasants payment for their fall grain harvest. What is this—a desire to loosen the credit reins?

Today a paradoxical situation has arisen in China, which specialists define as follows: "weakness of the market". The investments in the savings banks have increased by 100 billion yuan in the past year, two times higher than in the previous year. According to the data of experts, by the end of the year the sum of all individual investments comprised an astronomical figure—500 billion yuan. It is profitable to save money, since the so-called "compensatory percentage rate" has been established for medium- and long-term investments, and this rate increases depending on the growth of the inflation level.

It is difficult to judge the dynamics of the living standard. The wage fund has increased by 18 percent for January-September as compared with the same period

last year. At the same time, the growth rate of the premium fund has declined by 20 percent. However, the data for the cost of living index have not been published. Nevertheless, most observers believe that the reduction in the living standard of the population, especially the urban population, has stopped in recent years.

We may recall how the "Little Swan" washing machines (costing 1,350 yuan, ten times a worker's monthly salary), which were intended for sale in the course of a month, sold out in 2 hours at the popular Peking store "Baykhodalou". At that time they spoke about the imprudence of buyers and the dishonesty of sales clerks who, in an effort to get rid of goods which had sat around for a long time and at the same time to receive a bonus, assured the customers: If you do not buy now, later the price will go up. However, the main reason was the fear that the state might at any moment reject price controls, and that prices would creep up. The wave of panic, evidently, satisfied the appetites of many buyers, and now they have become more discerning. The power of the market also stimulated high percentages of investments in the savings banks, as well as the issuance of government obligations and the prohibition to state institutions to spend money on gifts and banquets. At a press conference, a State Statistical Administration representative also cited the following reason: Unjustifiably high prices on a number of goods. The "seller's market" in China has turned into a "buyer's market", where it was specifically the consumer who dictates his own conditions. In Peking, for example, certain soft drinks which accumulated in huge quantities at the warehouses are now being sold for  $\frac{1}{2}$  -  $\frac{1}{3}$  the previous price.

Thus, demand dictates. How will the economy respond?

As the premier of the PRC State Soviet, Li Pen, believes, even though the decline in growth rates, of course, creates a serious problem, it must primarily stimulate the enterprises and seek out a means of reaching the consumer by increasing quality and assortment. At the same time, the indicators appear discouraging: Enterprise losses have doubled, with 20 percent of all enterprises operating at a deficit. Moreover, a recent check of quality showed that only  $\frac{1}{4}$  of all production meets current standards.

There is also another reason—a psychological one. Many directors and managers are not sure of the stability of the policy and some of them are afraid that the contract order system, which gives them a certain freedom of action, may be changed. A contradictory situation arises in the individual and private sectors. On one hand at a recent conference, managers of industrial-trade administrations were called upon to recognize the need to help individuals and private owners, while the Peking municipal government announced that it would encourage "work seekers" to themselves resolve the problem and to open their own businesses.

On the other hand, for the first time in the years of reform the number of persons employed at individual

and private enterprises has declined by over 3 million persons, and many private enterprises, particularly in rural areas, have been accused of excessive consumption of the power and raw materials which are so greatly needed by the large state enterprises. (According to Chinese standards, which have arisen in the course of the economic reform, private enterprises are considered those which employ more than 8 hired workers). A representative of the Ministry of Agriculture, Chan Yi, announced that rural enterprises will immediately be closed down if it is determined that they are being ineffectively managed.

China has all the opportunities for fulfilling the strategic task: To quadruple the gross national product on the threshold of the year 2000 as compared with 1980. However, this is with the stipulation that there will be no serious social unrest or unforeseen economic fluctuations. That is the prognosis of a group of scientists at the Chinese Academy of Social Sciences.

The direction toward the level of average income, believe the scientists, began in 1980, and is fated to end in 2020. That is when China must achieve the indicators of the moderately developed countries at the starting period—in 1980. In this time, the economic structure and the society as a whole must undergo serious changes, which will serve as the basis for the qualitative economic upswing. However, there are obstacles waiting along the way. The main ones are the "four inconsistencies": huge population—limited resources; excessive demand of society—inadequate supply by the state; economic growth not balanced by social progress, and the fact that the planned economy and the market mechanism often do not coincide.

Scientists advise the government that it should not allow a sharp rise in prices, too great of a divergence in income, or a high unemployment level, that it should the "ennoble" the administrative system and methods of regulating production, distribution and consumption so that they would correspond with the development of the planned goods economy. The spheres of particular preference, in the opinion of economists, are railroad construction and electrical power generation.

The November Central Committee Plenum announced the continuation of stabilization during the three year period (1988-1990) or a slightly longer time, and defined 6 directions: The gradual reduction of inflation to the level of less than 10 percent; control over monetary issuance to the level of compatibility with economic growth; attainment of a balance between expenditures and income; reduction of the annual growth of the GNP to 5-6 percent; improvement of the agrarian, transport, and raw material sectors; creation of a system of macro-control based on the combination of plan and market principles.

However, many experts believe it is unclear how the process of intensification of economic reform will take place. After all, the concluding communique made no

mention of the radical steps undertaken in the mid-80's (price reform, stock markets, law on bankruptcy, etc.).

As State Soviet Premier Li Pen noted, we should neither exaggerate nor belittle the achievements of the stabilization program, because the main factors leading to inflation have not been eliminated and the contradiction between supply and demand still exists.

China is entering the new decade with new economic problems. The main ones are unemployment, a weak market, and a decline in production. All of these have turned out to be fellow travellers of the policy of stabilization and will inevitably make its implementation a more complex matter.

In short, the period of stabilization of the Chinese economy is a difficult one. Some problems are being solved, while others are arising. Still others are appearing on the horizon. Where is the medicine which will provide the cure against decline and inflation?

#### Consumer Goods Trade with China, Japan

904D0044A Moscow SOVETSKAYA TORGOVLYA in Russian, 19 Dec 89 p 3

[Interview with O.Yu. Goncharenko, head of the foreign trade department of the Khabarovsk Kray Fisheries Consumer Union, with M. Senkov: "Border Trade: They Buy Outmoded Shoes"]

[Text] The main foreign trade firm of the Heilungkiang Province of the People's Republic of China showed its export goods in Khabarovsk for several days. Wan Chanchzhi, the representative of the provincial government, said that the Chinese side is willing to expand the volume of its barter-based foreign trade. The Khabarovsk Kray Fisheries Consumer Union is one of the main partners of Chinese businessmen in this country. O.Yu. Goncharenko, head of the foreign trade department of the consumer union, answered SOVETSKAYA TORGOVLYA questions.

[Goncharenko] Among goods offered by our Chinese partners, we were interested in thermal plastic equipment and food industry equipment, such as freezers and dumpling-making machines. As a result of the negotiations, we signed contracts worth R13 million.

We maintain business contacts not only with our Chinese neighbors. Starting in April, we have been trading with Japan and have concluded many contracts with cooperators in North Korea. We have passed the first stage in negotiating agreements with firms in Hong Kong and Taiwan. We also welcome untraditional ideas and initiatives. For instance, we are talking about building the Hong Kong Hotel in Khabarovsk and are thinking about entering the international tourist business.

However, China remains our main trading partner. We work with six firms in the neighboring Heilungkiang province.

[Question] Olga Yuryevna, I know that a tourist hotel would provide profits in hard currency. But consumer union members do not need money, even if it is in convertible currencies. They need goods.

[Goncharenko] This is why we have been trading goods across the state border for the past year. Almost R100 million worth of goods have been traded in one year. In the past months we have concluded deals worth R34 million, of which R4 million was for food products such as meat, canned goods, vegetables, fruit and nuts. The remainder of the sum included manufactured goods such as furs, knitwear, shoes and radio electronics.

[Question] Who gets these goods?

[Goncharenko] The food goes directly to cooperative stores, usually to remote areas. As to manufactures, only consumer union members have the right to purchase them. We use deficit goods to stimulate meat production and harvesting of wild-grown vegetables.

[Question] What do your partners want in return? It will be a long while until hard currency earnings from the Hong Kong will begin to roll in, whereas one must have something to pay with in barter deals.

[Goncharenko] This is a problem. For instance, we wanted to buy copiers and photo labs from our Chinese partners, but we did not have equivalent goods to offer them in return. For the same reason we cannot purchase advance technology and equipment to produce goods. We are forced to search not only for exportable goods but for partners abroad who want those goods. The Japanese, for instance, want raw materials.

[Question] But due to current shortages, many legitimate objections have been raised against trading raw materials.

[Goncharenko] We export small quantities of wild-grown plants gathered by the population. As to lumber, we only have whatever has been allocated to us for sale. Naturally, we decide whether or not to export it only together with representatives of our shareholders. But they usually want to trade it for deficit imports, not to sell it in the kray.

As to us, we like partners who want manufactured goods. For instance, China wants our inexpensive light overcoats and men's suits. Or unfashionable shoes. This would seem easy, would it not?

But do not think that such goods are easy to find at our warehouses. We applied to the shoe trade office, but they

turned us down since they had sold everything. We must look elsewhere and find solutions. We buy goods at various fairs and crisscross the country in search of right goods.

[Question] Olga Yuryevna, could this business be made more simple? For instance, you could sign an agreement with an enterprise which produces buckets, for example. They would sell a share of their output to you, you would share your imports with them and everyone would be happy.

[Goncharenko] It is not so simple. On the surface, enterprises have shifted to economic accountability and declared their economic independence. But they still have state orders and their raw materials, including steel, are allocated to them based on those orders. If they economize, it is their own business, but it is too little to satisfy anybody.

In this country, much is being declared and permitted, only to be brought to nothing by quiet resolutions and instructions. This refers also to the system of barter trade. On the one hand, it seems to be permitted and even encouraged. On the other, almost all types of goods are covered by export licenses. In every instance we must go to the capital, which is a long way away, to explain, struggle and beg.

[Question] This entails delays which damage your reputation as a business partner, does it not?

[Goncharenko] There are delays for other reasons as well. We have no effective control over transport. For instance, we had to ship 30,000 tons of fertilizer in the second quarter, but they began loading it only in September.

[Question] Did you have to pay penalties?

[Goncharenko] So far, we have managed without them. Our partners understand our problems and are accommodating. But business relations require a businesslike attitude. I think that we need competent solutions, both at the highest level and at ours. Licenses for consumer goods must be eliminated. At the same time, we suffer great losses due to our own incompetence in many issues. We need experts and professionals, not amateurs.

We have drafted a proposal to shift our department to economic accountability. We should have the freedom to select our staff, too, and even to organize business trips. We will then be quicker and more competent, which means that our partners will be more willing to work with us.

**India's 40 Years of Independence Reviewed**

90U10314A Moscow LITERATURNAYA GAZETA  
in Russian No 4, 24 Jan 90 p 9

[Article by Mariam Salganik: "India: 40 Years of Independence"]

[Text] On 26 January 1950, exactly 40 years ago, India was declared a republic—a sovereign, democratic, secular state. Strictly speaking, this was a declaration of goals, to which another was added 5 years later—the construction of a socialist type of society, but with significant distinctions from already functioning models: without the expropriation of the property of the rich and the transfer of goods to the poor, but through the gradual reduction of economic inequities and the development of social justice.

India took the non-violent path on its journey from two centuries of submission to a foreign power to the right to manage its own affairs independently, and this turned its victory into an achievement of such great significance that it took mankind some time to appreciate it fully. When the national liberation movement had just begun, it was difficult even to imagine that oppressed and downtrodden India could stand up to the powerful British Empire, on which the sun literally never set at that time. And could it be done without weapons, with only a "holding to the truth"? Even in India itself, many regarded Mahatma Gandhi's plans as the purest form of idealism.

But this was accomplished—Mahatma Gandhi was the first to transform non-violence from an ethical doctrine into a powerful instrument of mass political struggle, which led to more than victory and more than liberation from colonialism: It confirmed the belief in the strength of moral actions.

Albert Einstein said this about Mahatma Gandhi at that time: "There will come a time when we will find it hard to believe that we walked on the same earth with this kind of man."

A year after the victory, however, this man was killed by a Hindu fanatic's bullet, just as Indira Gandhi was killed decades later. And India's liberation was accompanied by a fratricidal religious massacre.

World experience tells us that the prolonged suppression of any nationality, paralyzing the self-regulation of natural development processes, causes the potential for violence to accumulate in the society, and that this energy will break out long after a change of government, regardless of whether or not the change was effected by peaceful means. We could cite other former colonies and former dictatorships as examples, but a look at our own situation is sufficient.

The "holding to the truth," which led India to freedom with far less bloodshed than an armed struggle, was also displayed in the choice of a model future society. India

was not anxious to reject its past, including the colonial portion, but used everything of value in it to build a new life.

Relying equally on traditional values and on an objective view of contemporary political realities, India conceived of a form of international relations far ahead of the political thinking of the middle of the 20th century. This is why it had an authoritative voice in world affairs long before it could back it up with economic and military potential. In the era of bloc confrontation, India was one of the initiators of the movement of non-aligned states, which was not particularly popular in any bloc at that time but which subsequently revealed its potential.

In view of the changes in our country, it was no coincidence that the Delhi Declaration, announcing the absolute priority of common human values over all others, became almost the first document of the new political thinking and ethical policy.

Of course, India has not escaped any of the problems tormenting mankind. On the contrary, it is more likely that as it developed—quickly, and therefore unevenly—it felt the effects of two sets of problems: both those connected with its far from surmounted underdevelopment and those caused by entry into the modern technologized world.

In 10 years India will enter the sixth millennium of its incredibly long history. What could a period of 40 years mean in this context? It has no parallel in all of India's history, because it was in those years that India demonstrated its ability to reach the most advanced frontier of a quickly and radically changing world while retaining and augmenting the unique values of its great tradition.

**Israel's Peres' Policies 'Preferable' Due to Compromise Stance**

90U10200a Moscow KOMSOMOLSKAYA PRAVDA in Russian, 9 Dec 89 p 3

[Article by K. Kapitonov: "Compromises Are His Credo"]

[Text]

**A Few Touches To Shimon Peres' Political Profile** The leader of the Labor Party Shimon Peres made a confession shortly before the recent parliamentary elections in Israel which took place in November of last year: "I'm 65... But I feel neither tired nor disillusioned. I have not lost interest in life. My coevals with whom I studied together have more wealth today than I do. They have better apartments, they have taken longer vacations, enjoyed the pleasures of life more, wined and dined better and, unlike myself, still have their suits custom-made by the most fashionable tailors. While looking back at the road I traversed, I say to myself: 'Your merits aren't that great, but you've done something in life...'"

### Poetry and Politics

Shimon Peres (Parskiy) was born August 1, 1923, in the small Polish town of Vishneva. His father worked as a forester and rarely stayed at home. His mother was a housewife. That is why Shimon became attached to his grandfather, a merry shoemaker and a student of the Torah and Jewish poetry.

Thanks to his grandfather, Shimon developed a life-long love for poetry. He began to write poetry at the age of nine. His parents sent some of them to the famous Jewish poet Khaim Byalik.

In 1931, Peres' father immigrated to Palestine. He brought his wife and children two years later, after he had struck it rich as a grain merchant. By the spring of 1933, the Peres - father, mother, Shimon and his younger brother Gershon - struck their roots in the "Promised Land."

In Palestine, Shimon graduated from the prestigious Balfur gymnasium. He was brought up later in the youth kibbutz of Ben-Shemen. According to his fellow students, even then Peres was marked by high intellect and a calm and even nature.

He became the leader of the Noar ha-Oved, a Zionist youth organization, at the age of 20, and in 1946 he was elected delegate to the 22nd Zionist Congress in Basel.

In the meantime, Peres did not forsake his literary pursuits. He occasionally contributed his poetry, articles and short stories to the Israeli press. His serialized feature, "From a Woman's Diary," written under a woman's pen-name, was especially popular.

And yet Peres preferred politics. David Ben-Gurion, the first head of government of the State of Israel, became his ideal.

### Room at the Top

In the late 1940s, Peres started to work in the ministry of defense as an assistant to Levi Eshkol, the then general director of that department. It was there that he was "discovered" by Ben-Gurion, Prime Minister of the nascent state. It was he who sent the 27-year-old Peres to the United States as head of an arms purchasing delegation.

In 1952 he was first appointed acting director general of the Defense Ministry to become later its director general. Holding that position, he succeeded in assuming control over a sizable portion of the state budget, and gradually of the Israeli industry which started to fill numerous military orders. This position was an important step in Peres' political career.

According to his colleagues of that time, Peres had played a key role in establishing Israel's aviation, electronics and military industries. He earned the reputation of "No. 1 technocrat" and a "proponent of modernization."

He invested considerable effort in searching for the sources for supplying the types of weapons whose manufacture could not be organized inside the country. In 1954, he succeeded in placing an order for the first French tanks. He later accompanied Ben-Gurion on his secret trip to Paris to finalize the joint military action before the 1956 attack on Egypt.

In 1959 Mapai, the predecessor of the Labor Party, won the parliamentary elections in Israel. As a member of that Party, Peres was elected to the Knesset and appointed deputy defense minister.

He continued to actively strengthen Israel's combat power in his new position, purchasing weapons in France and other West European countries. Peres' position in Mapai became stronger than ever before. The Israeli press invariably called him "a rising star on the political horizon."

It is likely that already at that time the young and energetic politician, who enjoyed Ben-Gurion's confidence, was dreaming of a day when he would sit in the chair of his teacher. He thought that in ten, or 15 years at the most, his dream would come true. This might have been the case, but fate intervened.

In 1965, Ben-Gurion, retired at that time, threw the gauntlet to his comrades-in-arms of yesterday. The elderly leader quit Mapai and called upon the people closest to him to rally under his lonely banner.

Without hesitation Peres retired as deputy defense minister and followed his teacher and his idol into an abyss of political battles. He established the Rafi movement (List of Israeli Workers) together with Ben-Gurion and was elected its general secretary in July 1965.

Following the Six-Day War in June 1967, the Rafi movement and the Mapai and the Ahdut Avodah parties united to form Isreal's Labor Party. Peres was elected one of its two secretaries.

He became a member of government only after the 1969 elections. He was temporarily nominated minister of immigrant absorption; he was named the minister of communications in September 1970. He buckled down to work with the zeal that became his hallmark.

### At the Helm of the State

Peres had spent 30 years of his life climbing to the pinnacle of the political and state pyramid. Still fate did not spoil him.

When in September 1984 he finally took the chair that before him used to be occupied by such stalwarts as David Ben-Gurion, Moshé Sharett, Levi Eshkol, Golda Meir, Menahim Begin and Yitzhak Shamir, he had only two years to sit there (according to the power-sharing agreement) instead of the full four years.

Moreover, Yitzhak Shamir, his political opponent, became Peres' deputy, and one half of the heavy cabinet formed by the Likud bloc openly resented the Prime Minister.

Under those circumstances, Peres carried out a number of measures to restore order among the "ruins" left by his predecessor Shamir, leader of the Likud Party. The withdrawal of Israeli troops from Lebanon brought pacification inside the country. The economic austerity measures curbed inflation. America re-emerged as a generous financial donor, and some African and East European countries restored their diplomatic relations with Israel.

To be fair, it should be said that Israel had a streak of good fortune during the years of Peres' rule. A drop in the world oil prices, a lower dollar rate and the Iraqi-Iranian war - all this played into the hands of the new Prime Minister.

The power-sharing agreement prevented Peres from having his hands on the helm for four years. In the opinion of many Knesset delegates, however, he managed to do more in two years than any other Prime Minister could have done during the full term.

And yet Peres lost the latest elections to Shamir...

#### "Yes, But..."

Paradoxical as it may seem, Shimon Peres, who was Ben-Gurion's favorite student, has nothing in common with his teacher.

Ben-Gurion was a leader, Peres is the first among equals. Ben-Gurion was an idealist, while Peres is a pragmatist. Ben-Gurion worked all on his own, while Peres' work represents a joint effort by a group of experts he is in charge of. Ben-Gurion was larger than life, while Peres is blended with it. Ben-Gurion was marked by an iron-strong character, while Peres has a patience of iron. Ben-Gurion defied the rules of game, while Peres makes the most of them. Ben-Gurion was an ideologist, while Peres never put much emphasis on ideology.

Ben-Gurion was an intellectual with a active streak of creativity. Peres' intellectuality is passive. Literary ambitions are his weakest spot. He has failed to win many kudos in that field. Despite a few interesting ideas, his books have been described by critics as "pretentious and unintelligible."

The same can be said about his speaker's skills. A person close to Peres said ironically: "He first comes out with words, then with sentences and only at the end, with ideas."

When the well-wishers told Peres about this description, he laughed and asked: "Isn't it better than to be the one with no words, no sentences and no ideas?"

David Ben-Gurion and Levi Eshkol are considered by Isreal's Jewish population to be the most popular prime-ministers in the country's entire history. In his own words, Peres learned two maxims from them to guide him through his entire life: "It is more important what you do rather than what you say," from Ben-Gurion; "one has to clearly see the borderline between courage and adventurism," from Eshkol.

By the way, according to his comrades-in-arms, Levi Eshkol liked compromises. "Compromise is a half-defeat but also a half-victory," he claimed.

So, which one has become a model for Peres? Ben-Gurion in words, and Eshkol in reality.

Following in the latter's footsteps, Peres learned not only to appreciate a policy of compromises, but turned it into his main tactical weapon.

The Israeli papers wrote during the election campaign that only Peres would be able to solve the problems on which Israel's existence is contingent. He himself invested great significance in those elections. Speaking to the voters, he invariably stressed:

"This time it is not the parties but the future that is to be selected."

Unlike the Likud bloc, today the Labor Party and its leader urge an end to the occupation of the Gaza Strip and the larger part of the Western bank of the Jordan river.

Peres makes the reservation, however, that Israeli "concessions" do not extend to the eastern (Arab) Jerusalem which was annexed from Jordan in 1967.

"Jerusalem is Israel's capital forever!" he says. As to the Palestinians' actions in the occupied territories, Peres says:

"An unfortunate situation has emerged there. We cannot and we shall not be able to shirk responsibility for the security of the people in that region, both Jews and the Arabs."

Commenting on his proposals for changing the policies in the "monitored" territories, Peres said recently:

"I do not think there is any solution other than political-negotiations. My main goal is to sit down with the Arabs at the negotiating table and to start them without any preconditions."

Speaking about the situation in the Middle East, he says:

"Negotiations are the only way towards settlement. Since peace stances are required to establish peace, we call for an end to violence and terror, and to recognize the people's right to live in peace and security. I shall continue my efforts towards convening an international conference."

Incidentally, Peres was the first Israeli leader ever to approve the idea of convening a peace forum. He stated this back in October 1985 when he became a prime minister, addressing the UN General Assembly.

It should be made clear, however, that the leader of the Labor Party and his supporters regard this conference as only a background for starting direct Arab-Israeli talks. Peres himself has assumed this "Yes, but..." position. That is, he favors peace and a compromise solution to the territorial issue, but opposes the direct talks with the Palestine Liberation Organization and the creation of an independent Palestinian state.

Peres' political platform, by and large, differs little from the policy pursued by Prime Minister Shamir and the Likud bloc he heads. It is preferable, nevertheless, compared to the unyielding and openly annexationist course followed by the Likud bloc. If for no other reason, than because unlike Shamir, Peres is prepared to strike a compromise and is capable of a more realistic evaluation of the situation in the country and in the region.

Shimon Peres' political career has spanned 30-odd years. He has been the subject of attacks more than anybody else. But they have not made him bitter.

His prestige and popularity in Israel are still very high.

According to the reports from Tel-Aviv, Shimon Peres, who holds now the positions of deputy prime minister and finance minister, has not laid down his arms. He is geared to continue the battle for power...

### **Problems, Prospects for PLO's Recognition Examined**

90UI0194a Moscow TRUD in Russian, 7 Dec 89 p 5

[Interview with Nabil Amr, PLO Representative Extraordinary and Plenipotentiary in the USSR by M. Grodetskiy under the rubric "Pulse of the Planet": "Palestine: Two Years of Intifadah"; date and place not given]

[Text] One year has passed since the State of Palestine was proclaimed. December 9 marks two years since the start of intifadah, a popular uprising in Israeli-occupied Arab lands. Nabil Amr, the PLO Representative Extraordinary and Plenipotentiary in the USSR, describes in a conversation with our correspondent the problems and prospects for the liberation struggle waged by the Palestinian people.

[Question] Comrade Representative Extraordinary and Plenipotentiary, what is the PLO, which parties and organizations does it include and what goals and objectives has it pursued?

[Amr] The PLO has represented and expressed the interests of all the patriotic forces of the Palestinian people for a quarter of a century already. I would say that the PLO is the Palestinians' moral homeland. The PLO unites all Palestinian parties, organizations and trade

unions. The Palestinian National Liberation Movement, Fatah, forms its core. It also includes the National Front for the liberation of Palestine, the Democratic Front for the Liberation of Palestine, the Arab Liberation front, the Palestine Liberation Front, the Palestine Communist Party, and others. The organization is governed by the executive committee. The Palestine National Council is its supreme legislative body (parliament). It elects the PLO Executive Committee and the Palestine Central Council, which perform consultative functions in between the annual sessions of the Palestine National Council, PNC. The PNC represents all sections of the population living in the occupied lands as well as the Palestinians living in exile.

The PLO directs the actions of the intifadah participants through the united leadership of the uprising. Representing the conglomeration of all national forces and the center of their activity, the PLO sees its strength in unity.

The PLO has played an active part in international life since it was recognized as the only legitimate representative of the Palestinian people by the Arab and many other countries. About 120 embassies and representations have been opened abroad in the past 25 years. Incidentally, this is more than Israel has. As many as 105 countries have already recognized the State of Palestine.

In addition to the lofty aim of establishing an independent State of Palestine, the PLO is paying much attention to the promotion of culture, education, health service and other aspects of people's life. Five universities and several institutes have been set up in the occupied lands; the organization bears responsibility for the education of thousands of Palestinians in other countries of the world. It has not ignored the families of those who perished in struggle or who languish in Israeli prisons and concentration camps. The organization has different departments, including political, military, cultural affairs, education, and others. The PLO has its own press and local radio stations.

[Question]: What is the PLO's solution of the Palestinian problem and why does the organization reject Shamir's plan?

[Amr] We put forward the peace initiatives that take into account the interests of all parties. We act on the premise that UN Security Council resolutions No. 242 and 338 form the basis for the solution of the Palestinian problem and for the right of our people to self-determination. This problem should be examined within the UN framework in accordance with international law, and its solution should be guaranteed by the world community.

As to Shamir's plan, it does not say a word about the withdrawal of the Israeli troops to the 1967 borders. It takes absolutely no account of the national rights of the Palestinian people and completely ignores the role of the PLO as the only representative of this people. In essence, it rejects the creation of a State of Palestine. Shamir has proposed holding elections in the presence of Israeli

troops, to be followed by a partial and ephemeral autonomy of the Arab population in conditions of occupation.

We regard Shamir's statement not as a plan of peaceful settlement but as an attempt to undermine intifadah and the entire liberation struggle waged by the Palestinian people. Not a single state has supported that plan. Even the United States, Israel's main ally, expressed dissatisfaction with some of its elements. The Palestinian people completely rejects such attempts to "solve" the problem.

[Question] How does the PLO assess the goals and prospects for intifadah?

[Amr] Intifadah is a result of a long struggle that the PLO has waged for 25 years. A level of national revolution has been reached now. The two years of insurrection in the occupied lands have seen consolidation of Palestinian society, closely linked with the future of the entire nation. The united leadership of the uprising has played a decisive role in this process.

Intifadah has deep roots among the people. It cannot be stopped through acts of violence that Israel employs. The occupying authorities are building up power pressure every day. Over 700 people have already perished and tens of thousands languish in prisons and camps. Attempts are being made to sap completely the economic and political life of the Palestinian people. The Israelis blow up activists' houses, exile patriots, use firearms, plastic bullets and tear gas to suppress the uprising.

Intifadah is continuing despite harsh reprisals. Its course is vested with great significance, including the fact that it allows the world community to understand more clearly the meaning and direction of the PLO's activities at the present stage. What is important is that the rebellion's objective is the same as the PLO's main goal - to create an independent, sovereign and free State of Palestine. We are confident that the struggle will continue until this goal is completely achieved. Israel will not be able to make life return to what it was before the insurrection. Any proposals affecting the future of the Palestinian people, have to take into account the very fact and direction of intifadah. Five million people have the right to a country of their own.

Some results of intifadah can be summed up today. First, it strengthened the unity of society in its fight against the occupying forces. Second, the rebellion showed that the tide has turned in Israeli society, as many Israelis have understood the meaning of intifadah and called upon their country's leaders to start a dialogue with the PLO. By the way, these include not just ordinary folks, but generals in the Israeli armed forces. Third, the uprising has become one of the most burning peace issues and enhanced the significance of the liberation struggle in the international arena.

It should be emphasized that the Soviet Union has long supported the idea of establishing a free Palestinian

state. It can be stated in full confidence today that more and more states support this striving of our people.

[Question] It is no secret that the PLO has strong armed units...

[Amr] Peaceful popular uprising in the occupied lands is performing a noble mission. We do not want to provoke the Israelis into a total massacre. The use of armed groups and weapons could be used as a pretext for it. The united leadership of the uprising passed a special resolution ruling out armed action on the intifadah-sticken territory.

This decision does not mean that we are giving up armed struggle completely. The PLO views such action as absolutely legitimate, for example, when used to defend territorial integrity.

[Question] How does the PLO look at its relations with Israel? Are there forces in Israel proper that favor contacts with the Palestinian leadership?

[Amr] According to the resolutions passed by the Palestinian National Council and the decisions made by the PLO Executive Committee, we are prepared to establish contacts with all the democratic forces in Israel. The main condition for the dialogue is to support the PLO's solution of the general problem and to recognize the right of the Palestinian people to self-determination. We have already had contacts with some Israeli groups during which a mutual understanding of issues was noted. These contacts support our efforts towards implementing the principle of joint peaceful life. They point to the PLO's serious intentions to normalize Arab-Israeli relations. Members of the Israeli Knesset (parliament) and some political leaders have met our representatives. We have had talks with the representatives of a number of leading parties, trade unions and mass media. Considering the level of these negotiations, the Israeli government opposes its citizens who took part in them. A number of laws banning any contacts with the PLO have been passed. We hope, however, that the establishment of ties will not be interrupted. The PLO has supported the proposal made by the USSR Foreign Minister of holding a Moscow meeting between its representative and Israel.

[Question] What is the PLO's stand on convening an international conference on the Middle East?

[Amr] The international conference is a must. It should represent all the parties concerned, including the PLO as the sole representative of the Palestinian people. All permanent members of the UN Security Council should also take part. Israel's position remains the main obstacle on the way of convening such a conference. By refusing to recognize the PLO, Israel opposes its participation in the Middle Eastern forum, thus rejecting the possibility of achieving a peaceful solution to the Palestinian problem.

We are realists and we understand too well that we should sit down at the negotiating table with what can really untie the Middle Eastern knots. The Israelis have tried to impose their solution to the problem for 40 years already, a solution that leaves no place for the Palestinian people. We hope that realism will eventually prevail in the opposite camp and our people will acquire their long-awaited homeland at last.

### **FLN Emergency Congress in Algiers Routes New Course**

*90UI0192a Moscow PRAVDA in Russian, 4 Dec 89  
Second Edition p 6*

[Article by S. Filatov, Pravda's own correspondent in Algiers: "New Route Charted"]

[Text] Openness, democratic spirit and dialogue are the features that marked the work of the extraordinary congress of the Front de Liberation Nationale (FLN) that took place in the capital of Algeria in the middle of the past week. Many aspects of the proceedings that were under way in the auditorium of the 5th of July stadium at the sports palace set this event wide apart from the previous congresses.

Take the outward signs, for example. The delegates included a whole galaxy of veterans of the Algerian revolution, those leaders who used to belong to the FLN's and the country's political leadership but who were dropped from them for one reason or another and have since stayed in the shadow. Many of them both became actively involved in the debates and were again elected to the Central Committee.

Another new element was the invitation to attend the opening of the congress that was sent to the representatives of the political parties that came to the fore in the country following its recent transition to a multi-party system.

In an atmosphere that was characterized by an open exchange of opinion, the delegates discussed ways of overcoming the economic crisis, how to define their attitude toward religion, do away with the differences within the FLN and restore people's confidence in it, and to re-elect the Central Committee, in addition to the

suggested agenda. The expressed views covered a wide spectrum - from the statements on the commitment to the socialist choice, up to the suggestions to start "infitah," i.e. an open-door policy for foreign capital.

Most of the speakers supported the political and economic reforms which have been launched in the country. According to one of them, democracy and glasnost, for which these reforms paved the way, represent the people's most important gains since the day independence was declared. The congress also discussed the events of October of last year, when Algeria was rocked by youth unrest. According to the general secretary of the central committee, A. Mekhri, who addressed the congress, the crisis that broke out in October had been brewing for many years, and its objective reasons should be sought in the contradictions which emerged between the aspirations of the popular masses, young people in particular, and the realities that were established under the existing administrative command forms of government.

The decisions put on record in the congress documents, as well as the congress itself, have been of the most unusual nature. A year ago the FLN was transformed from a party into a front, and now the new statutes approved by the delegates say that the FLN is a political party. This looks like a sensible decision given the existence of more than a dozen of other political parties already. The front expressed its readiness to establish relations with them, up to forming a coalition, and to start a dialogue in the national interests, not bound by any limitations.

Along with passing the political and economic resolutions, the FLN has formulated its stand in the spiritual field, laying down the main principles according to which the Algerian society inalienably belongs to the Arabic and Islamic civilization. Islam represents the religion of the entire people and forms the main basis of its unity, and the national Arabic language is to be universally used.

The end of the congress is the beginning of the new stage in FLN activities at the same time, when mutual understanding reached by the delegates should be translated into practical action locally. In the opinion of the front members, "by uniting its ranks, the FLN would be able to act as a genuine vanguard in the renovated Algerian society."

**END OF  
FICHE**

**DATE FILMED**

29 March 1990